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# Business Bookkeeping AND Practice!

A NEW WORK

THAT PRESENTS AN OLD SUBJECT IN

A NEW WAY

PRESENTING THE THEORY OF ACCOUNTS BY THE INDUCTIVE METHOD AND ILLUSTRATING  
THE PRINCIPLES OF BOOKKEEPING AND THE BEST PRACTICE OF EXPERIENCED  
BOOKKEEPERS IN MODERN ACCOUNTING

BY

W. H. SADLER

*Senior Author of Sadler's Counting-House and Commercial Series of Arithmetics, and  
Associate Author of Bookkeeper's and Office Practice*

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*Author of International Business Practice, and Associate Author of  
Bookkeeper's and Office Practice*

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## PREFACE.

Business is rapidly becoming a science. The best thoughts of the brainiest men of the times are being devoted to the great profession of business :—"the profession of professions," whose purpose is the development, cultivation, and economic administration of the great commercial and industrial activities which directly affect the social and political relations and conditions of all peoples and nations. Every discovery and invention that will save labor and time is hailed with delight, and is at once applied and soon becomes a part of the great machinery of business.

To keep step with the "March of Progress" in other directions in the business world, this work has been prepared. It claims attention because of the following points of superiority :

**Logical Arrangement of Subject Matter.**—Beginning with the simplest principles that lie at the basis of business and bookkeeping, and developing the subject by inductive reasoning and philosophical thought-processes, the student is led to a thorough and comprehensive knowledge of the science of Bookkeeping, as applied in recording the transactions of commerce and manufacture.

From the very first the work is placed upon a philosophical basis. The "Philosophy of Business" illuminates the first principles upon which the entire system of accounts is built. The science is then unfolded in a manner that will at once fasten the attention and develop the mental powers of the learner by easy natural processes.

**Theory and Practice.**—These are treated as one and the same thing, for correct practice necessitates correct theory. *Theory is the soul of practice.* Impracticable methods are entirely eliminated, and nothing whatever has been admitted "for purposes of instruction," etc., that is not found in general use among practical accountants. This is emphasized under the head of "Points of Superiority" on the following page.

**Authorship.**—A feature in this work is, that to the hard-headed, practical methods of the business man and experienced accountant in the office, have been added the clear diction, scholarly finish, logical arrangement and philosophical treatment of the educated teacher who is thoroughly conversant with the requirements of the school room. This "golden mean" combination of talent has secured a really *practical* work and at the same time preserved the essential qualities of a good *teaching* book.

While the work has been prepared specially for use in the institution from which it emanates, and has in many particulars been constructed along lines entirely different from its predecessors, it is believed a careful inspection will win for it a host of friends in the educational and business world.

THE AUTHORS.

## POINTS OF SUPERIORITY.

1. Use of practical forms from the beginning, combining the Day-book and Journal and discarding their use entirely as separate books.
2. The Law of Debits and Credits subdivided, showing every possible application to all the principal accounts, resulting in an *Encyclopædia of Debits and Credits*.
3. The Summarization of these special applications into general laws, which are again summarized into the General Law.
4. The relation of accounts and their uses, explained and illustrated by a process of logical induction and philosophical reasoning, not found in any other work.
5. The practice work illustrated by a continuous business, instead of numerous short and unbusiness-like sets, as is customary.
6. A system of references to specific applications of the laws of debits and credits, making simple the most difficult transactions.
7. Thorough drills in Ledger closing, Balance Sheets, Statements, etc., closing only accounts showing losses and gains in the Ledger.
8. The introduction of the Cash, Sales, Invoice and Bill-books, as books of original entry, in the early part of the work.
9. Special rulings for Bills Receivable, Bills Payable and Personal accounts which greatly lessen the work and liability to error.
10. Introduction of special drills for each new feature of accounts as presented in the regular course of business.
11. The receiving and giving of all the necessary business papers, making the original entries entirely and directly from the vouchers as presented and issued, thereby securing the advantages of "business practice" from the start, if desired by the teacher.
12. The introduction of special commercial calculations *at the time they are needed*, which is immediately preceding the point where they are applied in the recording of the business transacted.
13. The answering of the "Business Man's Questions" which develops a familiarity with the facts in demand from the bookkeeper, in the counting room.
14. A chapter on General Information containing practical hints and sensible points as gathered from leading accountants and practice in the counting room.
15. Practical Commercial Calculations, which is a compilation of the actual problems that have been presented for adjustment to a practical Expert Accountant of fourteen (14) years' experience, as well as from other sources of standard authority.
16. The rounding up of a thoroughly practical course of accounting and practice as exemplified in the best business houses of this progressive age.

# THE PHILOSOPHY OF BUSINESS.

## BUSINESS THE BASIS OF BOOKKEEPING.

**START RIGHT.** Before entering upon the study of a new subject, it is well for the learner to become familiar with the principles, causes, and conditions, which lie at the basis or beneath the surface of the subject to be considered.

**BOOKKEEPING A RESULT, NOT A CAUSE.** <sup>1</sup> Bookkeeping is incidental to the more important and complicated processes involved in the transaction of business. The business itself is paramount; the recording of these transactions is secondary, and follows as a natural sequence.

<sup>2</sup> Business is transacted in accordance with certain, well-established, economic, and social principles, and to a brief discussion of these principles your attention is invited.

**WHY THINGS ARE EXCHANGED (BOUGHT AND SOLD).** <sup>3</sup> The desire to *exchange* something which we have, the product of our own labor or skill, for something we do not have which will serve to increase our comfort and happiness, is an inherent propensity in man.

<sup>4</sup> The individual member of society in its most primitive condition readily understood the advantage of exchanging the surplus of something he *had* for something he *did not have* and which would contribute to his well-being. The hunter exchanged his fur skins for powder and lead, and those who tilled the soil exchanged the surplus products of their crops and herds for implements, clothing, and other necessities, as well as luxuries, which they could not produce themselves. <sup>5</sup> On the same principle the modern business man endeavors, by a multiplicity of exchanges, to increase his wealth and accumulate property, *in order to secure a surplus which he may expend for the necessities of life and the gratification of his desires.*

<sup>6</sup> So important is this truth that it is a cardinal principle of social ethics that the accumulation of wealth is justified *only* when inspired by a desire to provide for the comfort and happiness of ourselves or those dependent upon us, or when used in contributing toward the well-being of the community in which we live.

**MAN'S RIGHT TO PROPERTY.** <sup>7</sup> The desire to secure not only the necessities, but also the luxuries of life, is so general that it is defined as a "Law of Nature." <sup>8</sup> This law is based on man's *natural right* to the possession and disposal of property in any form, which is the product of either his labor, skill, or talents.

**BARTER AND TRADE.** <sup>9</sup> The exchange of property for property, which is yet practiced in remote communities, was called *barter*, or *trade*. In early times those who were thus engaged were known as *traders*. The hunter bartered his furs for powder and lead; the farmer traded his wheat for plows.

**MONEY,—ITS ORIGIN AND USE.** <sup>10</sup> The difficulties of barter—that is, the exchange of property for property—were so many that it became necessary to adopt some measure of value with which to *facilitate* exchange. The farmer with a surplus of wheat to dispose of, could not find the foundryman who had plows to trade for the wheat. <sup>11</sup> This led to the adoption of some commodity, which could be used, first: *as a standard measure of value*; second, *as a medium of exchange*. <sup>12</sup> This commodity is called *money*. The American Indian's money was known as "wampum," and consisted of small shells through which holes were punched, so that they might be conveniently carried by placing them on a string. Other countries and nations had each its special

article or commodity which was used as money, or medium of exchange, and which was always selected because of its *common use* among all classes and conditions. <sup>13</sup> In modern civilized countries money consists chiefly of gold and silver coins or their paper representatives.

**VALUE,—** <sup>14</sup> The value of property is determined by its *purchasing power*. <sup>15</sup> This *pur-*  
**WHAT IS IT?** chasing power (value) is relative, depending upon the law of supply and demand.  
<sup>16</sup> Those who create the supply are *producers*; those who create the demand are *consumers*. A pound of butter, in the hands of the farmer who produced (supplied) it, has a smaller purchasing power, and hence a less value than it has in the hands of the retail merchant located where it is in demand by the consumer. <sup>17</sup> The relative value of an article is determined partly by location, increasing as it approaches the place of consumption. A box of oranges worth \$1 to the grower in Florida, is worth \$2 to the one on whose table they are consumed in Baltimore. A suit of clothes worth \$25 to the manufacturer in Baltimore, is worth \$35 to the orange-grower in Florida.

**EXCHANGES,—** <sup>18</sup> When persons contract to make an exchange of property, mer-  
**HOW ARE THEY MADE?** chandise, money, or other representatives of value, if the transfer is made by both parties *at the same time*, the transaction is then complete; <sup>19</sup> but if one party makes the transfer to the other, and the transfer by the second party in payment is *deferred* to some future time, the first party is said to give the second party *credit*; <sup>20</sup> and the interval of time between the transfer by the first party and the payment by the second is called the *term of credit*. <sup>21</sup> Credit, therefore, is *trust* given or received,—mercantile reputation, which entitles us to give or receive goods, money, or other property on promise of after-payment. <sup>22</sup> This promise of after-payment is known as a *debt*. <sup>23</sup> The person who owes the debt is the *debtor*, and <sup>24</sup> the person to whom the debt is owed (the one who gave credit) is the *creditor*. <sup>25</sup> The record of such a debt is called an *account*, and <sup>26</sup> when kept with a person, is called a *personal account*. <sup>27</sup> This promise, when in writing, becomes a *promissory note*.

**AND THUS** <sup>28</sup> The exchange of goods, property, and other representatives of value  
**WE HAVE** between states, countries, and nations is called *commerce*. <sup>29</sup> A like traffic in  
**BUSINESS AND** values between individuals is called *business*; <sup>30</sup> those engaged in it are  
**BOOKKEEPING.** *merchants*; <sup>31</sup> the commodities bought and sold are generally called *merchandise*.  
<sup>32</sup> Other forms of value are found in bonds, mortgages, real estate, stocks, inventions, etc. <sup>33</sup> When the value of the property purchased is *greater* than the value of the property given in exchange, the difference is called *profit*; <sup>34</sup> when less, it is called *loss*. <sup>35</sup> As we have seen, the exchange of value is the *basis* for all business activity. <sup>36</sup> Therefore, *in every business transaction, there is an exchange of property, use or service, or other representative of value, present or deferred*. <sup>37</sup> The *record* of these transactions is kept in books, and for this reason is known as *bookkeeping*.

**BOOKKEEPING** <sup>38</sup> Bookkeeping is both a science and an art. It is based on certain fixed  
**A SCIENCE** principles (some of which have been indicated) which have been induced from  
**AND** the requirements of the commercial and industrial activities and derived from  
**AN ART.** established custom and utility. <sup>39</sup> These principles have been formulated into a General Law which has been adopted in all countries, and which governs in all cases, and under all conditions. In this sense it is a *science*. <sup>40</sup> In its practical application, in the accurate recording of business affairs, it is an *art*. The student, therefore, must master this Law, and apply it with accuracy and rapidity before he can expect to become proficient.

**MODERN** <sup>41</sup> The principles of accounting were first formulated, in a crude way, in 1495, by a  
**METHODS.** friar named Lucas di Vergo. While these principles have remained, their application to the necessities of modern business has changed with the gradual advancement of business itself, until the bookkeeper of to-day employs but few of the forms and methods that were used even a few years ago. From crude and cumbersome processes of entry and transfer, have been evolved brief systems and simple methods which produce the exact results required with the least amount of labor and in the shortest time.



## BOOKKEEPING.

**42. Bookkeeping.**—Keeping a systematic record of business transactions in books is called *bookkeeping*. Since the chief feature of this record is that of accounts, it is also called *accounting*.

**43. The Object** of bookkeeping is to show the amount of money, goods, and other property received, disposed of, and on hand; credits received and given; losses and gains resulting from the exchange of values; the resources, liabilities and general status of the business, whether belonging to a person or a firm.

**44. A Resource** is anything of value belonging to a person or business, such as cash, property, or debts owing to the business. (See <sup>14-17</sup> and <sup>21</sup>.)

**45. A Liability** is any debt owing by a person or business.

**46. An Account** is a group or collection of items or transactions of the same kind or nature, showing the dealings of the business with persons, property, etc.

**47. The Ledger** is the *book of accounts*. It contains a condensed, permanent record of debits and credits, each item being placed under its proper heading or account. While the form of an account may vary in some respects, the usual form is the one shown below. Notice that the account has *two distinct parts*,—the left-hand side for debits, the right-hand side for credits.

| Dr.     |      |                                               |                                         |          |        | Cr.      |      |                                               |                                         |          |        |
|---------|------|-----------------------------------------------|-----------------------------------------|----------|--------|----------|------|-----------------------------------------------|-----------------------------------------|----------|--------|
| DEBITS. |      |                                               |                                         |          |        | CREDITS. |      |                                               |                                         |          |        |
| Year.   |      |                                               |                                         |          |        | Year.    |      |                                               |                                         |          |        |
| Month.  | Day. | Explanation when used, but generally omitted. | Page of book containing original entry. | Dollars. | Cents. | Month.   | Day. | Explanation when used, but generally omitted. | Page of book containing original entry. | Dollars. | Cents. |
|         |      |                                               |                                         |          |        |          |      |                                               |                                         |          |        |

**48. Other Books Used.**—Sometimes the Ledger is the only book in which the record of transactions is written. It is then a book of *complete record*; <sup>48</sup>but generally the transactions are first written in some other book, known as a book of *original entry*. The books of original entry vary in number and name, according to the needs of the business and the purpose for which they are used.

**50.** The simplest book of original entry is the Day-book, which, as its name indicates, is a book in which is written a memoranda of business transactions as they occur from day to day; but it is now seldom used, and then only in small businesses, or for making a temporary memoranda from which the bookkeeper afterward makes the more careful and permanent record in the proper books. This temporary memoranda is written hastily, usually with a lead pencil, hence, the Day-book is often spoken of as the "Blotter." (See 211.)

**51. Special Books.**—But the transactions in a modern business house are usually classified as they occur and are entered directly into books, which have been especially prepared to receive that class of accounts. They are known as the Cash-book, Invoice-book, Sales-book, Bill-books, etc. These take the place of the Day-book, and thus become books of original entry. They will be introduced and explained as the student advances, and occasion arises for their use.

**52. Debit and Credit.**—Business transactions affect accounts in two ways—by debits and by credits. <sup>52</sup>The terms *debit* and *credit* are used to designate the effect of a transaction upon the financial relations between a debtor and a creditor; hence, the abbreviations, Dr., Cr. <sup>53</sup>In a book-keeping sense, these terms are applicable, not only to persons (see <sup>21</sup>), but also to property and uses or services with which we have accounts.

**55. Law of Debits and Credits.** The Science of Accounts is based upon certain laws or principles that are *unchangeable*. The following general and specific statements, based upon the General Law of debits and credits, are intended to show the application of these principles to

Dr.

AN ACCOUNT.

Cr.

**56:** On the *Debit side* of an account is recorded what *comes into* the business, or that which costs value.

**58.** When a thing is *received* its account is debited. Thus—

- a. When cash is received, Cash is debited.
- b. When merchandise is received (or bought), Merchandise is debited.
- c. When others' notes and acceptances are received, Bills Receivable is debited.
- d. When our notes and acceptances are received (back), Bills Payable is debited.

**60.** When a thing *costs* value, its account is debited. Thus—

- i. When we receive the use of money from others, we debit Interest, because it costs value.

**62.** When a person (the receiver) receives something of value *from us*, without giving value in return, we debit that person.

**57.** On the *Credit side* of an account is recorded what *goes out* of the business, or that which produces value.

**59.** When a thing is *given*, its account is credited. Thus—

- e. When cash is given (or paid), Cash is credited.
- f. When merchandise is given (or sold), Merchandise is credited.
- g. When others' notes and acceptances are given (up), Bills Receivable is credited.
- h. When our notes and acceptances are given, Bills Payable is credited.

**61.** When a thing *produces* value, its account is credited. Thus—

- i. When we give the use of money to others, we credit Interest, because it produces value.

**63.** When a person (the giver) gives something of value *to us*, without receiving value in return, we credit that person.

## GENERAL LAW

or

### DEBITS AND CREDITS.

**64. Debit**—(a) the Receiver,\* (b) the Property, (c) Use or Service received, or—(d) That which costs you value.

**65. Credit**—(e) the Giver,\* (f) the Property, (g) Use or Service given, or—(h) That which produces you value.

\*The terms "Receiver" and "Giver" refer to all persons other than yourself, or outside your own business. Remember, you are keeping your books, not those of the persons with whom you do business.

### SUMMARY.

**66. Debit**—what is received and who or what costs value.

**67. Credit**—what is given and who or what produces value.

In studying the following pages memorize only the *summary* shown under the explanation of each account.

The explanations just preceding the summary are intended to cover every case in which the account can be debited or credited. They are only intended to be explanatory, however, and will be referred to in the following work when the student might have difficulty in applying the special law for each account as stated in the summary.

A thorough understanding of the General Law of debits and credits is absolutely necessary to the student in taking up the study of bookkeeping, and consequently it should be *memorized word for word*. The General Law is derived from the principles involved in the statements made as to when "An Account" should be debited and credited. These principles in turn are derived from those contained in the "Philosophy of Business," page 1. Therefore, frequent reference should be made to that article, and each paragraph should be carefully studied and understood by the student. It must be remembered that the instructions and information which are contained in the subjects to follow cannot be understood thoroughly, unless you give close attention to these principles.

**NOTE.**—We have adopted the plan of addressing the reader in the first person, using as nearly as possible the same language a teacher would employ in instructing the student personally, believing the information thus given will be more clearly understood than when using an impersonal style of expression.

CASH ACCOUNT.

68. The object of this account is to show the receipts and payments of cash and the amount on hand. The term cash includes gold, silver, and other coins, bank notes, U. S. Treasury notes, money-orders, bank drafts, checks, and whatever else is, by custom or usage, received or given as money.

From the General Law (64-67) we deduce the following for debiting and crediting—

CASH.

|                                                             |                                                                      |
|-------------------------------------------------------------|----------------------------------------------------------------------|
| 70. Debit Cash                                              | 71. Credit Cash                                                      |
| a. For amount of cash on hand at the beginning of business. | c. For all cash paid out.                                            |
| b. For all cash subsequently received. (See 69.)            | d. For all cash loaned or lost.                                      |
|                                                             | e. For all checks issued when no bank account is kept in the Ledger. |

SUMMARY.

|                                                                                                                                                           |                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 72. Debit—for all cash received. (58)                                                                                                                     | 73. Credit—for all cash given, or parted with. (59)                                                                                                                                                                                                  |
| 74. The Difference (if any) between the two sides of Cash will always show a debit balance, which is a resource (44) equal to the amount of cash on hand. | 75. To close the cash account, write on the Cr. side (in red ink), the date, the amount on hand, and the word "Balance." Then rule and foot as shown in the model below, and bring down the "Balance" on the opposite side in black ink. (See 220b.) |
| 76. The credit side of the account can never be the larger, since it is impossible to pay out more cash than is received.                                 |                                                                                                                                                                                                                                                      |

|      |    |          |        |      |    |         |        |  |  |
|------|----|----------|--------|------|----|---------|--------|--|--|
| Cash |    |          |        |      |    |         |        |  |  |
| July | 2  |          | 260    | July | 3  |         | 70     |  |  |
|      | 10 |          | 150    |      | 5  |         | 40     |  |  |
|      | 15 | paid     | 75 50  |      | 20 |         | 15 50  |  |  |
|      | 26 | received | 95 ..  |      | 25 |         | 100    |  |  |
|      |    |          |        |      | 30 |         | 15 ..  |  |  |
|      |    |          |        |      | 31 | Balance | 340 .. |  |  |
|      |    |          | 580 50 |      |    |         | 580 50 |  |  |
| Aug. | 1  | Balance  | 340    |      |    |         |        |  |  |

EXAMPLES OF BUSINESS TRANSACTIONS FOR CASH ACCOUNT.

The student will write the Ledger account for the following transactions. Look up the references in parentheses, and become familiar with them in order that you may, hereafter, be able to debit and credit Cash correctly.

|                                             |                                            |
|---------------------------------------------|--------------------------------------------|
| July 2, Cash on hand (70a) . . . . . \$260. | July 20, Paid cash (71c) . . . . . \$15.50 |
| 8, Paid cash (71c) . . . . . 70.            | 25, Gave check for (71e) . . . . . 100.    |
| 5, Gave check for (71e) . . . . . 40.       | 26, Received cash (70b) . . . . . 95.      |
| 10, Received cash (70b) . . . . . 150.      | 30, Paid " (71c) . . . . . 15.             |
| 15, " " ( " ) . . . . . 75.50               |                                            |

Results Shown.

|                                                    |          |
|----------------------------------------------------|----------|
| Total receipts of cash, . . . . .                  | \$580.50 |
| " payments of cash, . . . . .                      | 240.50   |
| Balance of cash on hand (74), (resource) . . . . . | \$340.   |

## MERCHANDISE ACCOUNT.

**77. The object** of this account is to show the *purchases* and *sales* of merchandise, and the *amount gained or lost* as a result of such dealings. *Merchandise* is a general name given to the goods in which we deal.

From the General Law (64-67) we deduce the following for debiting and crediting—

### MERCHANDISE.

#### 79. Debit Merchandise—

- a. For the "Inventory," or stock of goods on hand at the beginning of business.
- b. For all merchandise bought.
- c. For all goods returned to us after being sold and credited to Merchandise.
- d. For "shortage," "damage," or "overcharge" claims allowed on goods previously sold.
- e. For merchandise-discounts,\* or for the debit excess of "Mdse. Discount" account at time of closing the Ledger.
- f. For freight and drayage, storage, insurance, or other charges, unless separate accounts are kept for such outlays.†

#### 80. Credit Merchandise—

- g. For all merchandise sold.
- h. For goods returned by us after having been bought and charged to Merchandise.
- i. For merchandise taken from stock for private use, donation or shipped on commission.
- j. For "shortage" or "damage" claims allowed (on goods we buy) after the full amount has been debited.‡
- k. For merchandise-discounts,\* or for the credit excess of "Mdse. Discount" account at time of closing the Ledger.
- l. For insurance received on goods damaged or destroyed by fire, etc.
- m. *Before closing* the account to show the loss or gain, enter on this side (in red ink) the value of goods on hand, using the word "Inventory." (See 83-84 · also 220b.)

### SUMMARY.

**81. Debit**—for all purchases, costs, and allowances to others. (66)

**82. Credit**—for all sales, and for allowances from others. (67)

**83. To find the gain or loss on Merchandise**, add the "Inventory," or value of goods unsold, to the credit side of the account. \*The difference between the two sides will then show the gain or loss,—a *gain* if the *credit* side is the larger, a *loss* if the *debit* side is the larger.

## Merchandise

|       |    |             |    |      |      |    |           |    |      |
|-------|----|-------------|----|------|------|----|-----------|----|------|
| Aug.  | 1  |             | 2  | 100  | Aug. | 4  |           | 3  | 325  |
|       | 6  |             | 4  | 490  |      | 8  |           | 5  | 345  |
|       | 11 |             | 7  | 525  |      | 17 |           | 11 | 575  |
|       | 15 |             | 9  | 200  |      | 20 |           | 17 | 180  |
|       | 24 |             | 19 | 250  |      | 29 |           | 27 | 1000 |
|       | 31 | Loss & Gain | 5  | 460  |      | 31 | Inventory |    | 2425 |
|       |    |             |    | 2725 |      |    |           |    | 2725 |
| Sept. | 1  | Inventory   |    | 300  |      |    |           |    |      |

\* Discounts allowed on bills paid before they are due.

† In which case the "Freight and Drayage," "Storage," "Insurance," or other accounts representing direct outlays on merchandise should be closed into Merchandise before the latter is closed to show the loss or gain. (See 14b.)

‡ This really ought never to occur in business, yet it sometimes happens, through an oversight, that a bill of goods is debited to Merchandise and entered on the books before the shortage or damage is discovered.

### EXAMPLES OF BUSINESS TRANSACTIONS FOR MERCHANDISE ACCOUNT.

The student will write the Ledger account for the following transactions. Trace each transaction from the memoranda to the account, looking up the references in parentheses so as to ascertain reasons for the debits and credits. (See script form of merchandise account on the preceding page.)

|                                                     |        |                                                 |        |
|-----------------------------------------------------|--------|-------------------------------------------------|--------|
| Aug. 1, Bought merchandise for cash (79 <i>b</i> ), | \$800. | Aug. 17, Sold W. M. Batters on his note,        |        |
| 4, Sold merchandise for cash (80 <i>g</i> ), . .    | 325.   | merchandise (80 <i>g</i> ), . . . . .           | \$575. |
| 6, Bought merchandise on my note                    |        | 20, Sold R. B. Bidwell on his note,             |        |
| (79 <i>b</i> ), . . . . .                           | 490.   | merchandise (80 <i>g</i> ), . . . . .           | 180.   |
| 8, Sold H. A. Wise merchandise on 60                |        | 24, Bought from W. M. Ward on                   |        |
| days' time (80 <i>g</i> ), . . . . .                | 345.   | account, merchandise per bill                   |        |
| 11, Bought merchandise on my note                   |        | (79 <i>b</i> ), . . . . .                       | 250.   |
| (79 <i>b</i> ), . . . . .                           | 525.   | 29, Sold merchandise for cash (80 <i>g</i> ), . | 1000.  |
| 15, Bought merchandise from A. B.                   |        | 81, Inventory of merchandise on hand            |        |
| Congling on account (79 <i>b</i> ), . . .           | 200.   | (80 <i>m</i> ), . . . . .                       | 800.   |

**HOW TO FIND THE GAIN ON MERCHANDISE FOR THE MERCHANDISE ACCOUNT  
ON PAGE 6.**

**FOR INSTRUCTIONS SEE 83.**

**Operation.**

|                                                                     |               |
|---------------------------------------------------------------------|---------------|
| Amount of merchandise sold, or total sales (credit side), . . . . . | \$2425.       |
| Amount of merchandise unsold (Inventory) added, . . . . .           | 800.          |
| Total, . . . . .                                                    | <u>2725.</u>  |
| Amount of merchandise purchased (debit side), subtracted, . . . . . | 2265.         |
| Amount gained (excess of Cr. side), . . . . .                       | <u>\$460.</u> |

## STUDENT ACCOUNT.

**84.** This account represents the owner or proprietor of the business, who invests his money for the purpose of securing a gain. (See 5.)

In the illustration of the Cash account on page 5, the first transaction, July 2, shows the amount of cash on hand to be \$260. This is invested by the owner or proprietor as a capital with which to begin business.

We will suppose you (the student\*) are the one who invested the money. As you gave it to the business, you should be credited with it. See 204e page 51.

**From this we deduce the following:**

*Credit the Proprietor for the capital invested.*

### ILLUSTRATION.

**Transaction:—**Sept. 1, Began business with Cash on hand, \$8000.

*Student*

[illegible]

**\*Whenever you are instructed to write the word “Student,” write your own name instead.**

CASH AND MERCHANDISE ACCOUNT.

From the following transactions three accounts are to be written,—one for Student, one for Cash, the other for Merchandise. Before writing these accounts, however, read the instructions in paragraph 85.

TRANSACTIONS FOR PRACTICE.—SERIES 1, SET 1.

BUSINESS MEMORANDA.

|                                                            |         |                                             |          |
|------------------------------------------------------------|---------|---------------------------------------------|----------|
| Sept. 1, Began business with cash on hand (70a), . . . . . | \$6000. | Sept. 8, Received cash for Mdse., . . . . . | \$450.75 |
| Bought Mdse. for cash (79b-71c), . . . . .                 | 400.    | 4, Bought Mdse. for cash, . . . . .         | 65.80    |
| Received cash for Mdse. (70b-80g), . . . . .               | 112.50  | Received cash for Mdse., . . . . .          | 590.     |
| 2, Bought Mdse. for cash (79b-71c), . . . . .              | 1000.   | 5, Bought Mdse. for cash, . . . . .         | 60.      |
| Received cash for Mdse. (70b-80g), . . . . .               | 250.    | Received cash for Mdse., . . . . .          | 810.     |
| 8, Bought Mdse. for cash, . . . . .                        | 124.85  | 6, Bought Mdse. for cash, . . . . .         | 35.20    |
|                                                            |         | Received cash for Mdse., . . . . .          | 175.     |

85. You will now proceed to write the above transactions in your Journal Day-book, as shown in the model below. Notice that to the left of the Journal Day-book there are two columns in which to indicate the accounts affected by each transaction. This part of the record, indicating the accounts to be debited and credited, is known as the journal-entry.† Only a part of these debits and credits are indicated in the model, but you are to indicate them all in your copy, depending upon the references to aid you in making the proper entries. Notice that each time cash is received for goods sold, Cash is debited and Merchandise is credited for the *same amount*; and that when merchandise is bought for cash, Merchandise is debited and Cash credited for *equal amounts*.

| September 1, |         |                      |        |        |  |
|--------------|---------|----------------------|--------|--------|--|
| Cash         | Student | Cash on hand at be-  | 6000   |        |  |
|              |         | ginning of business  |        | 6000   |  |
| Mdse.        | Cash    | Bought bill of Mdse. | 400    |        |  |
|              |         | for Cash             |        | 400    |  |
| Cash         | Mdse.   | Received Cash for    | 112 50 |        |  |
|              |         | bill of Mdse.        |        | 112 50 |  |
| Mdse.        | Cash    | Bot bill of Mdse.    | 1000   |        |  |
|              |         | for Cash             |        | 1000   |  |
| Cash         | Mdse.   | Recd. Cash for bill  | 250    |        |  |
|              |         | of Mdse.             |        | 250    |  |
| Mdse.        | Cash    | Bot bill of Mdse.    | 124 85 |        |  |
|              |         | for Cash.            |        | 124 85 |  |

Do not present your Journal Day-book to the teacher until you have written all the transactions given in the Business Memoranda, Sept. 1 to 6 inclusive, shown above.

† NOTE.—While it is expected that the script models in this book will help you to secure a good business hand it is not expected that you will merely copy them. Always study each transaction before writing the record for it, so that you may have a clear understanding of the debits and credits.

**86.** Having written the Journal-Day-book as instructed in paragraph 85, hand your work to the teacher for examination. When he returns it to you, proceed according to instructions in the following paragraphs.

**87.** Preparatory to posting, open the accounts in the Ledger by writing the name of the account, as shown in the illustration below. At the top of page 1 write "your name," on page 2 "Cash," on page 3 "Merchandise" (leaving pages 4 and 5 blank), and on page 6 write "Loss & Gain."

**"a. Posting** is transferring the debit and credit items from the Journal (or other book of original entry) to the proper accounts in the Ledger.

88. Before posting, trace each entry as it is posted from the Journal on page 8 to the Ledger on page 9. Notice that each item in the debit column of the Journal is posted to the debit side of the account named in the Ledger, and that each item in the credit column of the Journal is posted to the credit side of the account named in the Ledger. For instance, in the first item the amount (6000) is in the debit column in the Journal, and Cash is the account named. You will, therefore, find this item posted to the debit side of the Cash account in the Ledger. The second item (6000) is in the credit column in the Journal, and Student is the account named. This you will find posted to the credit side of the Student account in the Ledger.

**89.** In posting make the entry in the Ledger account in the following order:—(1) the amount, (2) the date, and (3) the page of the book from which the item is transferred, then in the Journal enter the page of the Ledger to which the account is posted.

Now post the items from your Journal to the Ledger exactly as you have been instructed above, but before you post the entry in your books see how each item is posted in the illustration.

# Student

Sept. 1

1 6000

# Cash

Sept.

1  
1  
2  
3  
4  
5  
6

1 6000  
1 112 50  
1 250  
1 450 75  
1 590  
1 310  
1 175 25  
75 12 25

Sept.

1  
2  
3  
4  
5  
6

1 400  
1 1000  
1 124 85  
1 65 80  
1 60  
1 35 20  
16 25 15

# Merchandise

Sept.

1  
2  
3  
4  
5  
6

1 400  
1 1000  
1 124 85  
1 65 80  
1 60  
1 175 25  
16 25 15

Sept.

1  
2  
3  
4  
5  
6

1 112 50  
1 250  
1 450 75  
1 590  
1 310  
1 175 25  
16 25 15

**90. The system of bookkeeping that records a debit for every credit and a credit for every debit is called *Double Entry*.**

**92.** Notice that each item on the left-hand, or debit, side of any of these three accounts has a corresponding item on the right-hand, or credit, side of another account.

**93. Trial Balance.**—In Double Entry bookkeeping, as explained above (see 90), the debits and credits are always equal. Therefore, the *total* debits and credits must be equal. To prove this, foot the debit and credit sides of the accounts, placing the amounts in *small* pencil figures, as shown

in the models of Cash and Merchandise, page 9. Then write the names of the accounts on a sheet of bill-cap paper ruled as shown below, placing the debit and credit footings of each account on the same line with the name of that account. By adding these columns they will be found to be equal. This is known as "taking a trial balance."

### *Trial Balance September 6,*

|   |             |      |    |      |    |
|---|-------------|------|----|------|----|
| 1 | Student     |      |    | 6000 |    |
| 2 | Cash        | 7888 | 25 | 1685 | 85 |
| 3 | Merchandise | 1685 | 85 | 1888 | 25 |
|   |             | 9574 | 10 | 9574 | 10 |

94. Your attention is now called especially to the difference in the results shown by the merchandise and cash accounts. Observe that the debit and the credit items are alike, and that the difference between the two sides of each account is the same after deducting your investment of \$6000 from the debit side of the Cash account; but the results shown are entirely different. What does the difference between the two sides of the Cash account show? (See 74.) What does the difference between the two sides of the Merchandise account show? (See 83.) To whom does this gain belong? Consequently, whose account does it affect finally (84)?

### CLOSING THE LEDGER.

#### TO CLOSE CASH ACCOUNT.

"a. You have learned that the difference between the two sides of the cash account shows the amount or balance of cash on hand. This account is closed or ruled, (1) to show the amount of cash on hand, and (2) to bring the balance down on the opposite side to begin the new account. You will now close the Cash account as shown on Page 11. Follow instructions in paragraph 75, page 5.

#### TO CLOSE MERCHANDISE ACCOUNT.

"b. As the credit side of this account is the larger (there being no inventory) the difference shows a gain. This account is closed for the purpose of ascertaining the loss or gain on merchandise, after which it is transferred to the Loss and Gain account.

Now close the Merchandise account by writing on the smaller (or debit) side the amount (202.40), the date (Sept. 6), the words "Loss & Gain," and the page (6) of the Loss and Gain account, as shown in the model below.

"c. Now rule and foot the Merchandise account as shown in the model; then turn to Loss and Gain account and write on the credit side (in black ink) the amount of gain (202.40); the date (6), the word "Merchandise," and the page (3) of the Merchandise account, as shown in the model.

#### TO CLOSE LOSS AND GAIN ACCOUNT.

"c. *The Loss and Gain* account is kept to show the losses and gains of the business grouped under one head, and also to show the net loss or the net gain of the owner or proprietor.

*It is debited for all losses and credited for all gains, and always closes into the proprietor's (or partner's) account.*

As there is but one account that shows a gain at this closing and it has already been transferred to the Loss and Gain Account, you are now ready to close that account. As this gain belongs to you, the Loss and Gain account is therefore closed into your (Student's) account. To do this, write on the smaller (debit) side the amount (202.40), the date (Sept. 6), the name of your account "Student," and the page (1) of your account as shown in the model. Then rule and foot the Loss and Gain account as shown.\*

\*Theoretically it would be correct to transfer losses and gains directly to the Proprietor's account, but as there are usually several accounts showing gains and losses, it is the universal practice of bookkeepers to group them under a special head, known as the "Loss & Gain" account, and then carry only the net gain or the net loss to the owner or proprietor's account.



Now turn to your (Student's) account and on the credit side write in black ink the amount (202.40), the date (Sept. 6), the words "Loss & Gain," and the page (6) of the Loss and Gain account.

## TO CLOSE STUDENT ACCOUNT.

"d. Next close your own account by writing (in red ink) on the debit side the amount (6202.40), the date (Sept. 6), and the words "Net Capital." Then rule and foot your account and bring down the "Net Capital" on the credit side, as shown in the model, writing it in black ink, and giving it the date of the following business day, Sept. 8. (See foot note, page 10, also paragraph <sup>200</sup>b.)

"e. You have now, in all its essential elements, completed and closed a Ledger.

"f. NOTE.—Observe that the gain shown in the merchandise account is not brought down like the balance in the cash account. This applies to the gain or loss shown in any account. It is always transferred to some other account. This matter will be explained more fully farther on in your work.

94½. Present your work to the teacher for approval. If he finds that it is satisfactory and that you have a clear understanding of what you have gone over, you will be allowed to proceed with Property Accounts. But if what you have done is not satisfactory, or if you give evidence that you do not fully understand what you have been doing, you will be required to write up additional exercises until your work is satisfactory in every respect.

*Student*

|         |             |         |         |             |         |
|---------|-------------|---------|---------|-------------|---------|
| Sept. 6 | Net Capital | 6202 40 | Sept. 1 |             | 6000    |
|         |             |         | 6       | Loss & Gain | 202 40  |
|         |             | 6202 40 |         |             | 6202 40 |
|         |             |         | Sept. 8 | Net Capital | 6202 40 |

*Cash*

|         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|
| Sept. 1 |         | 6000    | Sept. 1 |         | 400     |
| 1       |         | 112 50  | 2       |         | 1000    |
| 2       |         | 250     | 3       |         | 124 85  |
| 3       |         | 450 75  | 4       |         | 65 80   |
| 4       |         | 590     | 5       |         | 60      |
| 5       |         | 310     | 6       |         | 35 20   |
| 6       |         | 175     | 6       | Balance | 1688 25 |
|         |         | 7888 25 |         |         | 7888 25 |
| Sept. 8 | Balance | 6202 40 |         |         |         |

*Merchandise*

|         |             |         |         |  |         |
|---------|-------------|---------|---------|--|---------|
| Sept. 1 |             | 400     | Sept. 1 |  | 112 50  |
| 2       |             | 1000    | 2       |  | 250     |
| 3       |             | 124 85  | 3       |  | 450 75  |
| 4       |             | 65 80   | 4       |  | 590     |
| 5       |             | 60      | 5       |  | 310     |
| 6       |             | 35 20   | 6       |  | 175     |
| 6       | Loss & Gain | 202 40  |         |  | 1888 25 |
|         |             | 1888 25 |         |  | 1888 25 |

*Loss & Gain*

|         |         |        |         |       |        |
|---------|---------|--------|---------|-------|--------|
| Sept. 6 | Student | 202 40 | Sept. 6 | Merch | 202 40 |
|---------|---------|--------|---------|-------|--------|



EXAMPLES OF BUSINESS TRANSACTIONS FOR PROPERTY ACCOUNT.

Journalize on a sheet of bill-cap paper, as shown in the illustration below, the following transactions, June 8 to Aug. 24 inclusive. Trace the transactions and look up the references so as to understand the debits and credits to property accounts.

|                                                               |        |                                               |      |
|---------------------------------------------------------------|--------|-----------------------------------------------|------|
| June 8, Value of House and Lot, 211 Broadway (97a), . . . . . | \$4000 | July 20, Paid cash for taxes (97e), . . . . . | \$16 |
| 10, Paid cash for repairs (97c), . . . . .                    | 28     | Aug. 2, Rec'd cash for rent (98g), . . . . .  | 80   |
| July 1, Rec'd cash for rent (98g), . . . . .                  | 80     | 24, Sold property for cash (98f) . . . . .    | 4150 |

JOURNAL ENTRIES.

JUNE 8.

|                                      |                            |       |       |
|--------------------------------------|----------------------------|-------|-------|
| House and Lot, Broadway,<br>Student, | Value of Property on hand, | 4000. | 4000. |
| House and Lot, Broadway,<br>Cash,    | Paid Cash for repairs,     | 28.   | 28.   |
| Cash,<br>House and Lot, Broadway.    | Rec'd Cash for rent.       | 80.   | 80.   |

TRANSACTIONS FOR PRACTICE.—SERIES 2, SET 1.

**Special Features.**—Continuation of Set 1, introducing *property* accounts ; new accounts, "House and Lot, Park Ave." and "Charles St. Building"; losses and gains grouped at close.

Since the following transactions are a continuation of those given on page 8, you may write the entries for them on page 2 of your Journal Day-book, placing the first date (September 8) at the top of the page. The date for the first entry on a page of this book should always be written on the date-line at the top.

BUSINESS MEMORANDA.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sept. 8, Bought bill of merchandise (79b) for cash, \$61.75 (71c).<br>Bought House and Lot, Park Ave. (97b) for cash (71c), \$1950. (See 102.)<br>Received cash (70b) for bill of merchandise, \$42.85 (80g).<br>9, Bought Charles St. Building (97b) for cash, \$4000. (See 102.)<br>Paid cash for repairs on House and Lot, Park Ave., \$7.15 (97c).<br>Sold bill of merchandise for cash, \$86.70.<br>10, Received cash for rent of offices in Charles St. Building, \$150. (98g).<br>Paid cash for insurance on Charles St. Building, \$46. (97c).<br>Bought merchandise for cash, \$137.25.<br>11, Received cash for rent of House and Lot, Park Ave., \$20. (98g).<br>Paid water tax on Charles St. Building, \$27.50 (97c).<br>Received cash for office rent Charles St. Building, \$109.50. | Sept. 12, Sold merchandise for cash, \$218.12.<br>Paid janitor's services Charles St. Building, \$25. (97c).<br>Paid cash for grading and curbing in front of House and Lot, Park Ave., \$21. (97c).<br>Received cash for rent of offices in Charles St. Building, \$98.<br>13, Paid Cash for advertising "Offices for Rent" in Charles St. Building, \$8.50 (97c).<br>Paid cash for repairs on elevator Charles St. Building, \$2.75 (97c).<br>Bought merchandise for cash, \$87.<br>Took locks, nails, etc., from store for repairs on Charles St. Building, \$7.55 (97c-80i).<br>15, Paid cash for other repairs on store-room in Charles St. Building, preparatory to moving our stock into it, which we have done this day, \$8.75.<br>Received cash for rent of offices in Charles St. building, \$265.<br>16, Bought merchandise for cash, \$498.20.<br>17, Sold bill of merchandise for cash, \$365.60. |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**NOTE.**—Do not enter the following Inventories in your Journal Day-book, as they are not to be posted. In business, all inventories are entered in a book kept for that special purpose. (See note, page 16.)

INVENTORIES.

|                                     |         |
|-------------------------------------|---------|
| Charles St. Building, . . . . .     | \$4000. |
| House and Lot, Park Ave., . . . . . | 1950.   |
| Merchandise on hand, . . . . .      | 284.50  |

Sept. 8,

|                      |                       |                                           |        |        |  |
|----------------------|-----------------------|-------------------------------------------|--------|--------|--|
| Madse.               |                       | Bot per bill for cash                     | 61 75  |        |  |
|                      | Cash                  |                                           |        | 61 75  |  |
| House                | Lot Park Ave.         | " Bot for cash                            | 19 50  |        |  |
|                      | Cash                  |                                           |        | 19 50  |  |
| Cash                 | Madse.                | " Recd. cash for bill of merchandise sold | 42 85  |        |  |
|                      |                       |                                           |        | 42 85  |  |
| Charles St Building  |                       | 9 Bot for cash                            | 40 00  |        |  |
|                      | Cash                  |                                           |        | 40 00  |  |
| House                | Lot Park Ave.         | " Paid for repairs                        | 7 15   |        |  |
|                      | Cash                  |                                           |        | 7 15   |  |
| Cash                 | Madse.                | " Received for bill sold                  | 36 70  |        |  |
|                      |                       |                                           |        | 36 70  |  |
| Cash                 |                       | 10 Recd. for rent of                      | 150    |        |  |
|                      | Chas. St. Bldg.       | office                                    |        | 150    |  |
| Charles St. Building |                       | " Paid for insurance                      | 46     |        |  |
|                      | Cash                  |                                           |        | 46     |  |
| Madse.               |                       | " Bot for cash                            | 137 25 |        |  |
|                      | Cash                  |                                           |        | 137 25 |  |
| Cash                 |                       | 11 Received for rent                      | 20     |        |  |
|                      | House & Lot Park Ave. |                                           |        | 20     |  |
| Charles St. Building |                       | " Paid water tax                          | 27 50  |        |  |
|                      | Cash                  |                                           |        | 27 50  |  |
| Cash                 |                       | " Recd. for office rent                   | 109 50 |        |  |
|                      | Chas. St. Bldg.       |                                           |        | 109 50 |  |
| Cash                 |                       | 12 Sold for cash                          | 213 12 |        |  |
|                      | Madse.                |                                           |        | 213 12 |  |
| Charles St. Building |                       | " Paid for janitors service               | 25     |        |  |
|                      | Cash                  |                                           |        | 25     |  |

Present your Journal Day-book to the teacher for examination. When it is returned to you, attend first to any special instruction the teacher may give in regard to it, and then proceed with your work in the following manner:

**103.** Post the debits and credits from your Journal Day-book to the Ledger. Open an account with "Charles St. Building" on page 4 in your Ledger, and an account with "House and Lot, Park Ave." on page 5. The debits and credits of Cash and Merchandise are to be posted to the accounts already opened on pages 2 and 3.

<sup>103a.</sup> In posting, make the record in the Ledger in the order indicated in paragraph <sup>87b</sup>, page 8. By entering the *amount* first, you will be much less likely to get it mixed with the figures in the date and page of the book from which you are posting.

<sup>103b.</sup> After you have posted a debit or a credit, look at it a second time in both the posting-book and Ledger to see whether you have entered it correctly. Remember that *debit amounts* should appear on the *left-hand side* of the Ledger accounts, and *credit amounts* on the *right-hand side*.

**103½.** If you have followed the instructions given in the last paragraph and will be careful in making your additions, you will have no trouble in getting your trial balance.

**Make trial balance** (see 93), and submit it to the teacher for inspection; when approved copy it in your Trial Balance book.

**104. Closing the Ledger.**—You are now ready to close the Ledger.\* This is a very important part of your work, and involves the following steps, which you will take in *exactly* the order indicated:

*First.*—Balance the cash account according to 75.

*Second.*—Enter the inventory of merchandise on the credit side of that account according to <sup>80m</sup>. Then ascertain the gain or loss on merchandise according to 83, finding the difference between the two sides of the account in small, neat, pencil figures in the explanation column, as shown in the example of Merchandise account, page 6.

#### *Operation.*

|                                                                      |        |
|----------------------------------------------------------------------|--------|
| Amount of merchandise sold, or total sales, (credit side), . . . . . | 665.82 |
| " " unsold, (Inventory) added, . . . . .                             | 284.50 |
| Total, . . . . .                                                     | 950.32 |
| Amount of purchases subtracted, . . . . .                            | 734.20 |
| Amount gained (excess of credit side), . . . . .                     | 216.12 |

*Third.*—Turn to page 3 and write (in red ink) on the debit side of Merchandise the amount of gain (216.12), the date (17), the words "Loss and Gain," and the page on which the losses and gains are grouped, to show where the gain is transferred *to*.

*Fourth.*—Close the merchandise account by ruling it up, as shown in the example on page 6.

*Fifth.*—Turn to page 6 and write (in black ink) on the credit side of Loss and Gain (see model) the gain on merchandise (216.12), the date (Sept. 17), the word "Merchandise," and the page (3) of the merchandise account to show where the entry was transferred *from*.

*Sixth.*—Turn back to the merchandise account and bring down the Inventory† (in black ink) on the debit side, dating it Sept. 18. (See Example, page 6; also paragraph <sup>200b</sup>.)

*Seventh.*—Turn to page 4 and proceed to close the Charles St. Building account, taking the same steps as in closing Merchandise, and taking them in *exactly the same order*. When you have ruled the account, turn to page 6, and write on the credit side of Loss and Gain the amount of gain (496.45), the date (17), the words "Charles St. Bldg.," and the page (4) of that account. Then turn

\*In business, the Ledger is never closed oftener than once a month and rarely oftener than once a year, except for the purpose of admitting partners, changing to a joint stock company, or winding up the business. But for the benefit of the beginner and for the purpose of a gradual introduction of new accounts, we have arranged for frequent closings in Set 1 and also in some of the Sets that follow it.

†The question may be asked, "Why not bring down the inventory of an account before transferring the loss or gain to the Loss and Gain account?" We answer: Because of the liability of bringing down the wrong amount for the Inventory, or transferring the wrong amount to "Loss and Gain." Bookkeepers are more or less liable to carry in mind some of the figures in the last entry made, and get them mixed or exchanged with a part of the figures in the next entry written. Besides, it takes no more time to bring down the "Inventory" *after* the transfer has been made to Loss and Gain, since the bookkeeper should keep the page of the account for the purpose of referring to it to see whether he has made the transfer correctly. (See <sup>103b</sup>.)

back to page 4 and bring down the "Inventory" of the Charles St. Building, the same as you did the inventory in the Merchandise account.

*Eighth.*—Next turn to account with House and Lot, Park Avenue, on page 5, and enter the Inventory on the credit side in red ink. Then proceed as follows:

(1) Write (in red ink) on the credit side of the account the amount of loss (8.15), the date (17), then "Loss and Gain," and the page (6) on which the losses and gains are grouped.

(2) Close the account by ruling and footing as shown in the model on next page.

(3) Turn to page 6 and enter on the debit side of "Loss and Gain" the amount of loss (8.15), the date (Sept. 17), and the explanation "H. & L., Park Ave.," giving the page (5) of that account to show where the entry was transferred from.

(4) Turn back to page 5 and bring down the "Inventory" of the House and Lot, Park Ave., the same as you did in Merchandise and Charles St. Building.

<sup>104b</sup>. *NOTE.—Net Gain.*—You now have under the head of "Loss and Gain," on page 6 of the Ledger, the results of the business transacted. This group of losses and gains constitutes what is known as the "Loss and Gain account," which will be more fully discussed hereafter. The credit side shows the gains, and the debit side the losses. By footing the credit side and subtracting from it the amount of loss shown on the debit side, you find the net gain to be \$704.42.

*Ninth.*—Since this net gain belongs to you (see <sup>4</sup>) close it into your own account in the following manner:

(1) Write (in red ink) on the debit side of Loss and Gain the amount of net gain (704.42), the date (17), your name, and the page (1) of your account.

(2) Rule and foot Loss and Gain as shown in the script model, page 17.

(3) Turn to your account and write (in black ink) on the credit side the amount of the net gain (704.42), the date (17), the words "Loss and Gain," and the page (6) on which the losses and gains are grouped.

*Tenth.*—By adding the net gain to your previous net capital you find your net capital, Sept. 17, to be \$6906.82. Proceed to close your account by writing your "Net Capital" (in red ink) on the debit side of your account as you did on Sept. 6, ruling and footing the account, and bringing down this "Net Capital" (in black ink) on the credit side, dating it Sept. 18.

**105.** It is customary for bookkeepers to submit a statement taken from the books at the time of closing the Ledger, a form of which is shown on the following page. They are also required to show the per cents of losses and gains resulting from the proprietor's dealings in merchandise, property, etc. You should, therefore, give careful attention to the "Business Man's Questions," and the operations involved in answering them.

To find the per cent. of gain or loss on merchandise: Divide the gain or loss on the merchandise sold, by its cost. (See first example below.)

*NOTE.*—In accounts having Inventories, the inventory on hand must be subtracted from the total cost in order to ascertain the net cost. (See 221, Second Method.) In the first example below, the total purchases less the inventory equals the cost of the merchandise sold, which is the amount on which the gain is made.

To find the per cent. of gain or loss in the business: Divide the net gain or loss by the net capital. (See example below.)

*NOTE.*—In the second example the net capital represents the investment from which the net gain is realized.

#### FIRST EXAMPLE—WITH INVENTORY.

(Mdse. account.)

Purchased, . . . . \$784.20

On hand, . . . . 284.50

Cost of Mdse. sold, 449.70) 216 1200 Gain (.48½ +  
= 48½ %. Ans.

#### SECOND EXAMPLE.

(Owner's account.)

Investment. Net gain.

6202.40)704.4200(.11½ + = 11½ per cent. Ans.

*NOTE.—Inventory Book.*—This book is ruled like an ordinary Journal, and is used for recording the items of merchandise in stock at the time of taking an inventory. The quantity, price, and amount of each article are entered, and the amounts are forwarded from page to page, and the total footing represents the total amount of merchandise on hand. Other inventories may also be entered in this book.

## Loss & Gain

|         |                        |   |        |         |                   |   |        |
|---------|------------------------|---|--------|---------|-------------------|---|--------|
| Sept 17 | House & Lot, Park Ave. | 5 | 8 15   | Sept 17 | Merch.            | 3 | 216 12 |
| 17      | Student                | 1 | 704 42 | 17      | Charles St. Bldg. | 4 | 496 45 |
|         |                        |   | 712 57 |         |                   |   | 712 57 |

### THE BUSINESS MAN'S QUESTIONS.

1. What was the gain or loss per cent. on merchandise? (See First Operation, page 16.)
2. What was the gain or loss per cent. on different properties?
3. What was the gain or loss per cent. on my investment? (See Second Operation, page 16.)
4. Have I been doing a paying business? State reasons.

Answers to the foregoing questions may be obtained from the following

### BOOKKEEPER'S STATEMENT.

TRIAL BALANCE, SEPT. 17,

RESULTS SHOWN.

| L. P. | Accounts.                           | Debits. |    | Credits. |    | Losses. |    | Gains. |    | Resources. |    | Liabilities. |    |
|-------|-------------------------------------|---------|----|----------|----|---------|----|--------|----|------------|----|--------------|----|
| 1     | (Student),                          |         |    | 6202     | 40 |         |    |        |    |            |    |              |    |
| 2     | Cash,                               | 7498    | 17 | 6825     | 85 |         |    |        |    | 672        | 82 |              |    |
| 3     | Merchandise, (Inventory \$ 284.50), | 734     | 20 | 665      | 82 |         |    | 216    | 12 | 284        | 50 |              |    |
| 4     | House & Lot, Park Ave., " 1950.     | 1978    | 15 | 20       |    | 8       | 15 |        |    | 1950       |    |              |    |
| 5     | Charles St. Bldg., " 4000.          | 4121    | 05 | 617      | 50 |         |    | 496    | 45 | 4000       |    |              |    |
|       |                                     | 14831   | 57 | 14831    | 57 | 8       | 15 | 712    | 57 | 6906       | 82 |              |    |
|       | Net Gain,                           |         |    |          |    | 704     | 42 |        |    |            |    |              |    |
|       |                                     |         |    |          |    | 712     | 57 | 712    | 57 |            |    |              |    |
|       | (Student's) Net Capital,            |         |    | 6202     | 40 |         |    |        |    |            |    |              |    |
|       | Add Net Gain,                       |         |    | 704      | 42 |         |    |        |    |            |    |              |    |
|       | Present Net Capital,                |         |    |          |    |         |    |        |    |            |    | 6906         | 82 |
|       |                                     |         |    |          |    |         |    |        |    | 6906       | 82 | 6906         | 82 |

**105½.** Present your books to the teacher for examination and approval. If he finds your work satisfactory, and that you understand what you have done, you will be allowed to take up the study of Personal Accounts. Otherwise, you will be required to do additional work for practice, before proceeding further.

### PERSONAL ACCOUNTS.

**106.** These are accounts with persons, firms, or corporations to whom we sell goods, loan money, or supply values of any kind on account, or from whom we buy goods, borrow money, or receive values of any kind on account. (See 105-106.)

**106a.** *The object* of this class of accounts is to record our dealings with persons, firms, and corporations, each person or concern having a separate account. They show what we have bought from others without paying for it at the time, and what we have sold to others without receiving pay for it at the time. They also show how much we have given to others on account, how much has been received from others on account, how much we still owe others, and how much others are still owing us on account.

From the above and from the General Law (64-67) we deduce the following for debiting and crediting

105½-106a.

PERSONAL ACCOUNTS.

107. Debit persons—

- a. For amount they owe us at the beginning of business.
- b. For all goods or property sold them on account.
- c. For all money paid or loaned them on account.
- d. For all goods, etc., returned to them and for which we had previously credited them.
- e. For all notes of our own (Bills Pay.) given to them on account.
- f. For all drafts drawn by them and accepted or paid by us.
- g. For our own drafts drawn (or indorsed) by us in their favor.
- h. For notes and acceptances of others (Bills Rec.) transferred by us to them on account.
- i. For "shortage," "damage," or "overcharge" rebates they allow us on goods for which we had credited them.
- ii. For amount "thrown off" a debt by compromise, when they agree to accept a part of what we owe them, in full satisfaction of the debt. (See 185*d*, note 2.)

108. Credit persons—

- i. For amount we owe them at the beginning of business.
- k. For all goods or property we buy from them on account.
- l. For all checks, money, or other cash received from them on account, or paid to others at our request.
- m. For all goods, etc., they return to us and for which we had previously debited them.
- n. For notes of their own given to us (Bills Rec.) on account.
- o. For drafts drawn on them by us.
- p. For their own drafts drawn (or indorsed) by them in our favor.
- q. For notes and acceptances of others (including our own notes, etc.) transferred by them to us on account.
- r. For "shortage," "damage," or "overcharge" rebates allowed them on goods for which they had been debited.
- s. For amount lost by compromise with them when we agree to accept a part of what they owe us, in full satisfaction of the debt. (See 184*b*, note 1.)

SUMMARY.

109. Debit—the receiver (64*a*).

The "receiver" is the party who *receives* something of value from us without giving value in return. (62.)

110. Credit—the giver (65*e*).

The "giver" is the party who *gives* something of value to us without receiving value in return. (63.)

111. *The difference* between the two sides of a personal account will show either a resource or a liability,—a *resource* when the *debit* side is the larger, a *liability* when the *credit* side is the larger.

<sup>m</sup>a. *Closing Personal Accounts.*—In business, personal accounts are never closed except when they balance or under such circumstances as are mentioned in paragraph 227. Whenever an active personal account balances, it is the practice of experienced bookkeepers to rule it up at once, as explained in <sup>m</sup>b.

<sup>m</sup>b. When a personal account balances, it should be ruled up at once by a single line, as shown in the example following. This saves much time and labor in making the additions when the trial balance is taken. (See 227.)

*Henry Hamilton*

|      |    |  |     |       |    |                  |     |
|------|----|--|-----|-------|----|------------------|-----|
| Sept | 1  |  | 36  | Sept. | 3  |                  | 36  |
|      | 2  |  | 45  |       | 4  |                  | 46  |
|      | 5  |  | 41  |       |    |                  |     |
|      | 6  |  | 118 |       | 7  |                  | 14  |
|      |    |  |     |       | 8  |                  | 56  |
|      |    |  |     |       | 9  | 140<br>119<br>21 | 44  |
|      | 10 |  | 94  |       | 11 |                  | 118 |
|      | 13 |  | 25  |       | 12 |                  | 25  |
|      |    |  | 119 |       |    |                  | 115 |
|      |    |  |     |       |    |                  | 140 |



*Journalize* the following transactions from Sept. 1 to 13 inclusive on a sheet of bill-cap paper, as shown in illustration below.

TRANSACTIONS FOR EXAMPLE.

|                                                               |       |                                                                                     |      |
|---------------------------------------------------------------|-------|-------------------------------------------------------------------------------------|------|
| Sept. 1, Henry Hamilton owes me on account, (107a), . . . . . | \$36. | Sept. 7, Credit him for merchandise returned, sold him on the 6th (108m), . . . . . | 14.  |
| 2, Sold him merchandise on account (107b), . . . . .          | 45.   | 8, Received check from him on account, (108l), . . . . .                            | 56.  |
| 3, Received cash from him on account (108l), . . . . .        | 86.   | 9, Bought merchandise from him on account (108k), . . . . .                         | 48.  |
| 4, Bought merchandise from him on account (108k) . . . . .    | 86.   | 10, Sold him merchandise on account, . . .                                          | 94.  |
| 5, Paid him cash on account (107c), . . .                     | 41.   | 11, Received cash from him on account, . .                                          | 25.  |
| 6, Sold him merchandise on account (107b), . . . . .          | 118.  | 12, Bought mdse. from him on account, .                                             | 115. |
|                                                               |       | 13, Returned merchandise bought from him on the 12th (107d), . . . . .              | 25.  |

JOURNAL ENTRIES.

SEPT. 1

|                              |                      |     |     |
|------------------------------|----------------------|-----|-----|
| Henry Hamilton,<br>Student,  | Owes me on %,        | 36. | 36. |
| 2. Henry Hamilton,<br>Mdse., | Sold him Mdse. on %, | 45. | 45. |
| 3. Cash,                     | Recd. cash on %,     | 86. | 86. |
| Henry Hamilton,              |                      |     | 86. |

TRANSACTIONS FOR PRACTICE.—SERIES 8, SET 1.

*Special Features.*—Continuation of Set 1, introducing personal accounts;—New accounts, —Arthur Grayden, Harold Wayne, and G. B. Dean & Co.; ruling personal accounts whenever they balance; losses and gains grouped at close, same as in preceding series.

Enter the following transactions in your Journal-Day-book + immediately following the previous work.

BUSINESS MEMORANDA.

|                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sept. 18, Sold merchandise per bill to Arthur Grayden on account, \$197.48 (107b).<br>Received cash per cash drawer for merchandise,—sundry sales, \$18.75 (80g).<br>Bought merchandise per invoice from Harold Wayne on account, \$491.50 (108k).<br>Received cash for office-rent in Charles St. Building, \$45.50 (98g). | Sept. 23, Paid cash for gardener's services, \$2. (97c).<br>24, Paid cash for labor performed in painting Charles St. Building, \$28. (97c).<br>Sold merchandise per bill to G. B. Dean & Co. on account, \$104.87 (107b).<br>Paid Harold Wayne in full for balance due him on account, \$341.50 (107c). |
| 19, Bought bill of prepared paint, brushes, etc. to repaint Charles St. Building, from G. B. Dean & Co. on account, \$71.50 (97c-108k).<br>Bought merchandise per invoice for cash, \$26.80.                                                                                                                                | 25, Received cash from G. B. Dean & Co. (110) in full for balance due on account, \$32.87.                                                                                                                                                                                                               |
| 20, Paid Harold Wayne cash on account, \$150. (107c).<br>Received cash from Arthur Grayden, in full of account, \$197.48 (108l).                                                                                                                                                                                            | 26, Bought from Harold Wayne (87) on account merchandise per invoice, \$365.<br>Sold Arthur Grayden (109) on account merchandise per bill, \$348.94.                                                                                                                                                     |
| 22, Sold Arthur Grayden on account merchandise per bill, \$128.87 (107b).                                                                                                                                                                                                                                                   | 27, Sold G. B. Dean & Co. for cash (72) merchandise (80g) per bill rendered, \$79.77.                                                                                                                                                                                                                    |
| 23, Bought trees and shrubbery for House and Lot, Park Ave., for cash, \$12.80 (97c).                                                                                                                                                                                                                                       | 30, Sold House and Lot, Park Ave., for \$2200 cash (98f).<br>Paid Janitor's services in full for the month in Charles St. Building, \$25. (97c).                                                                                                                                                         |

INVENTORIES.

|                                 |         |
|---------------------------------|---------|
| Charles St. Building, . . . . . | \$4000. |
| Merchandise on hand, . . . . .  | 409.60. |

†The Journal-Day-book will hereafter be spoken of as the Journal as it is thus designated among bookkeepers.

Present your Journal to the teacher for examination, and when he has returned it, attend first to any special instructions he may give you; then, after reading paragraphs <sup>108</sup>a and <sup>108</sup>b (page 15) and <sup>109</sup>a, below, proceed with your work, observing carefully the following instructions:

**112.** Post the debits and credits, opening new accounts with Arthur Grayden, Harold Wayne, and G. B. Dean & Co., giving each account one-half page space.

<sup>109</sup>a. **Ruling Personal Accounts.**—When you have posted the last entry for Sept. 20, rule up Arthur Grayden's account according to instructions in <sup>109</sup>b, page 19. Likewise, when you have posted the last entry for Sept. 24, rule up Harold Wayne's account; and, as soon as the transaction with G. B. Dean & Co., Sept. 25, has been posted, rule that account in the same manner.

<sup>109</sup>b. When you have finished posting, take a trial balance as heretofore. Be especially careful in making your additions of the Ledger accounts, as this is the most frequent source of errors in trial balances. (See Errors in Trial Balances.)

<sup>109</sup>c. Present your trial balance to the teacher, and when he has approved it, proceed to close the Ledger. In doing this, follow *carefully* the order of closing outlined by the ten steps, indicated in paragraph 104. While the inventories and losses and gains are different from what they were Sept. 17, the method of closing is the same.

<sup>109</sup>d. Leave the accounts with Harold Wayne, and G. B. Dean & Co. unclosed. Personal accounts are not to be closed except when they balance, or under such other circumstances as will be explained farther on. (See 227.)

**113.** When you have completed the last step in closing the Ledger (see "Tenth," page 16), present your books to the teacher for approval, and follow his directions in regard to your next work.

### THE BUSINESS MAN'S QUESTIONS.

1. What was the gain or loss per cent. on merchandise? (105.)
2. What was the gain or loss per cent. on different properties?
3. What was the gain or loss per cent. on my investment?
4. Have I been doing a paying business? State reasons.

Answers to the foregoing questions may be obtained from the following

#### BOOKKEEPER'S STATEMENT.

| <i>Trial Balance Sept. 30.</i> |                           |          |          | <i>Results Shown</i> |        |                       |         |
|--------------------------------|---------------------------|----------|----------|----------------------|--------|-----------------------|---------|
| Accounts                       |                           | Dr       | Cr       | Losses Gains         |        | Resources Liabilities |         |
| 1                              | Student)                  |          | 6906 82  |                      |        |                       |         |
| 2                              | Cash                      | 32466 42 | 515 60   |                      |        | 2661 04               |         |
| 3                              | Mdse. (Invtry 409.60)     | 1167 30  | 572 63   |                      | 114 95 | 409 60                |         |
| 4                              | House & Lot Park Ave.     | 1964 80  | 2300     |                      | 235 20 |                       |         |
| 5                              | Chas. St. Building (4000) | 4124 50  | 45 50    | 79                   |        | 4000                  |         |
| 6                              | Arthur Grayden            | 472      |          |                      |        | 472 31                |         |
| 7                              | Harold Wayne              |          | 363      |                      |        |                       | 363     |
|                                |                           | 10973 53 | 10973 53 |                      |        |                       |         |
|                                | Net Gain                  |          |          | 271 13               |        |                       |         |
|                                |                           |          |          | 350 13               | 350 13 |                       |         |
|                                | Student's Net Capital     | 6906 82  |          |                      |        |                       |         |
|                                | Add Net Gain              | 271 13   |          |                      |        |                       |         |
|                                | Present Net Capital       |          |          |                      |        |                       | 7177 95 |
|                                |                           |          |          |                      |        | 7542 95               | 7542 95 |

The set shown in the following 8 pages is for illustration only, and is not intended to be written.

April 1.

|   |                       |                                |        |        |  |
|---|-----------------------|--------------------------------|--------|--------|--|
| 1 | Cash                  | Invested in Tea and            | 4500   |        |  |
| 1 | Asst. Rivers          | Coffee business                |        | 4500   |  |
| 1 | Madse!                | "                              |        |        |  |
|   |                       | 6 ch. Eng. B. B. 420° 45¢ 189. |        |        |  |
|   |                       | 3 . Imperial 340° 50¢ 130.     |        |        |  |
|   |                       | 2 . Gunpowder 145° 55¢ 79.75   |        |        |  |
|   |                       | 4 . Japan 283° 38¢ 107.34      |        |        |  |
|   |                       | 2 . Oolong 180° 45¢ 81.        | 577.29 |        |  |
| 1 | Cash                  | Bot of Jno Weston              |        | 577.29 |  |
| 1 | Geo. R. Hart          | Sold on a/c!                   | 341.55 |        |  |
| 1 | Madse!                | 3 ch. Japan 211° 45¢ 94.95     |        |        |  |
|   |                       | 1 . Imperial 90° 56¢ 50.40     |        |        |  |
|   |                       | 2 . Eng. B. 180° 54¢ 97.20     |        |        |  |
|   |                       | 2 . Oolong 110° 55¢ 99.        |        | 341.55 |  |
| 2 | Fifth Ave. Property   | Bot Fifth Ave. Property        | 2360   |        |  |
| 1 | Cash                  | for Cash                       |        | 2360   |  |
| 1 | Madse!                | 5                              |        |        |  |
|   |                       | 2 bls. Mocha 600° 25¢ 150.     |        |        |  |
|   |                       | 3 mats Java 210° 30¢ 63        |        |        |  |
|   |                       | 2 bags Santos 260° 21¢ 54.60   |        |        |  |
|   |                       | 5 . Rio 650° 20¢ 130.          | 397.60 |        |  |
| 2 | Henry Danvers         | Bot on a/c!                    |        | 397.60 |  |
| 2 | Chas. A. Parker       | Sold on a/c!                   | 320.40 |        |  |
| 1 | Madse!                | 2 ch. Gunpowder 145° 64¢ 92.80 |        |        |  |
|   |                       | 2 . Imperial 150° 56¢ 84.      |        |        |  |
|   |                       | 3 bags Rio 390° 24¢ 93.60      |        |        |  |
|   |                       | 2 mats Java 140° 36¢ 50.40     |        | 320.40 |  |
| 1 | Cash                  | 6                              |        |        |  |
| 2 | Fifth Ave. Prop. rent | Recd. for one month            | 56.40  |        |  |
| 1 | Geo. R. Hart          | 9                              |        |        |  |
| 1 | Madse!                | Sold on a/c!                   | 295.64 |        |  |
|   |                       | 1 ch. Japan 72° 45¢ 32.40      |        |        |  |
|   |                       | 3 . Eng. B. 206° 54¢ 111.24    |        |        |  |
|   |                       | 2 bags Santos 260° 26¢ 65.     |        |        |  |
|   |                       | 1 bl. Mocha 300° 29¢ 87.       |        | 295.64 |  |

April 10.

|   |                    |                               |         |         |  |
|---|--------------------|-------------------------------|---------|---------|--|
| 1 | Cash               | Received on a/c. of bill      | 300     |         |  |
| 1 | Geo R Hart         | April 2                       |         | 300     |  |
|   |                    | 12                            |         |         |  |
| 1 | Mdse.              | 15 bags Rio 1950° 30° 390.    |         |         |  |
|   |                    | 12 " Santos 1560° 31° 327.60  |         |         |  |
|   |                    | 12 mats Java 840° 30° 252.    |         |         |  |
|   |                    | 5 bls. Mocha 1500° 25° 375.   |         |         |  |
|   |                    | 12 ch. Japan 840° 38° 319.20  |         |         |  |
|   |                    | 12 " Oolong 840° 45° 378.     |         |         |  |
|   |                    | 8 " Y. H. 560° 45° 252        |         |         |  |
|   |                    | 7 " Gunpowder 490° 55° 267.50 |         |         |  |
|   |                    | 15 " Imperial 1050° 50° 525.  |         |         |  |
|   |                    | 12 " Eng B 840° 45° 378.      | 3466 30 |         |  |
| 2 | Henry Danvers.     | Bot on a/c                    |         | 3466 30 |  |
|   |                    | 15                            |         |         |  |
| 2 | House 36 Carey St. | Bot for Cash                  | 1600    |         |  |
| 1 | Cash               |                               |         | 1600    |  |
|   |                    | 16                            |         |         |  |
| 1 | Cash               | Sold Robt. Martin & Co.       | 662.16  |         |  |
| 1 | Mdse.              | 2 ch. Eng. B. 94° 54° 50.76   |         |         |  |
|   |                    | 1 bl. Mocha 300° 29° 87       |         |         |  |
|   |                    | 2 bags Rio 260° 24° 62.40     |         |         |  |
|   |                    | 3 mats Java 210° 36° 75.60    |         |         |  |
|   |                    | 4 ch. Y. H. 280° 54° 151.20   |         |         |  |
|   |                    | 6 " Imperial 420° 56° 235.20  |         | 662 16  |  |
|   |                    | 18                            |         |         |  |
| 2 | Fifth Ave Property | Paid water tax                | 16 30   |         |  |
| 2 | House 36 Carey St. | " " "                         | 9 25    |         |  |
| 1 | Cash               | City Treasurer                |         | 25 55   |  |
|   |                    | 19                            |         |         |  |
| 2 | Chas A. Parker     | Sold on a/c.                  | 870 60  |         |  |
| 1 | Mdse.              | 7 ch Oolong 490° 55° 267.50   |         |         |  |
|   |                    | 6 " Japan 420° 45° 189.       |         |         |  |
|   |                    | 5 bags Santos 650° 25° 162.50 |         |         |  |
|   |                    | 1 " Rio 1040° 24° 249.60      |         | 870 60  |  |
|   |                    | 20                            |         |         |  |
| 1 | Cash               | Recd for rent to May 1        | 6 50    |         |  |
| 2 | House 36 Carey St  |                               |         | 6 50    |  |
|   |                    | "                             |         |         |  |
| 1 | Cash               | Recd. payment bill April 5    | 320 10  |         |  |
| 2 | Chas. A. Parker    |                               |         | 320 10  |  |

April 22.

|   |                     |                                         |         |         |
|---|---------------------|-----------------------------------------|---------|---------|
| 1 | Malce               | 10 bags Maracaibo 1500° 23¢             | 299     |         |
| 1 | Cash                | Bot of H. H. Chan & Co.                 |         | 299     |
|   |                     | 23                                      | .       |         |
| 2 | Henry Danvers       | Paid bill of April 5                    | 397 60  |         |
| 1 | Cash                |                                         |         | 397 60  |
|   |                     | 25                                      |         |         |
| 1 | Geo. R. Hart        | Sold on a/c.                            | 2006 30 |         |
| 1 | Malce               | 11 ch. Eng. Pt. 7700 54¢ 415.38         |         |         |
|   |                     | 4 . Y. H. 2800 54¢ 151.20               |         |         |
|   |                     | 3 . Gunpowder 2100 64¢ 134.40           |         |         |
|   |                     | 4 . Japan 2800 45¢ 126                  |         |         |
|   |                     | 2 . Oolong 1400 55¢ 77                  |         |         |
|   |                     | 4 bags Mais. 5200 26¢ 135.20            |         |         |
|   |                     | 7 . Santos 9100 25¢ 227.50              |         |         |
|   |                     | 7 . Rio 9100 24¢ 218.40                 |         |         |
|   |                     | 5 bl. Mocha 15000 26¢ 420               |         |         |
|   |                     | 4 mats Java 2800 36¢ 100.80             |         | 2006 30 |
|   |                     | 26                                      |         |         |
| 2 | House 36 Carey St.  | Paid for repairs, painting and plumbing | 8 45    |         |
| 1 | Cash                |                                         |         | 8 45    |
|   |                     | 29                                      |         |         |
| 1 | Cash                | Recd. payment in full                   | 337 19  |         |
| 1 | Geo. R. Hart        | bills April 2-9                         |         | 337 19  |
| 1 | Cash                | Recd. for bill of April 19              | 570 60  |         |
| 2 | Chas. A. Parker     |                                         |         | 570 60  |
|   |                     | 30                                      |         |         |
| 2 | Henry Danvers       | Paid on a/c. of bill                    | 1500    |         |
| 1 | Cash                | April 12                                |         | 1500    |
|   |                     | Inventory, April 30.                    |         |         |
|   | 3 ch. Oolong        | 2100 45¢                                | 94 50   |         |
|   | 2 . Japan           | 1400 38¢                                | 53 20   |         |
|   | 9 . Imperial        | 6300 50¢                                | 315     |         |
|   | 4 . Gunpowder       | 2800 55¢                                | 154     |         |
|   | 6 mats Java         | 4200 30¢                                | 126     |         |
|   | 6 bags Maracaibo    | 7800 23¢                                | 179 40  | 922 10  |
|   | Fifth Ave. Property |                                         |         | 2400    |
|   | House 36 Carey St   |                                         |         | 1600    |



*Fifth Ave. Property*

|                           |  |   |         |                |         |   |         |
|---------------------------|--|---|---------|----------------|---------|---|---------|
| <i>Apr.</i> 3             |  | 1 | 2360    | <i>Apr.</i> 6  |         | 1 | 56 80   |
| 18                        |  | 2 | 16 30   |                |         |   |         |
|                           |  |   | 2376 30 |                |         |   |         |
| <i>Henry Danvers</i>      |  |   |         |                |         |   |         |
| <i>Apr.</i> 23            |  | 3 | 397 60  | <i>Apr.</i> 5  |         | 1 | 397 60  |
| 30                        |  | 3 | 1500    | 12             | 1966 00 | 2 | 3466 30 |
| <i>Chas. O. Parker</i>    |  |   |         |                |         |   |         |
| <i>Apr.</i> 5             |  | 1 | 320 80  | <i>Apr.</i> 20 |         | 2 | 320 80  |
| 19                        |  | 2 | 870 60  | 29             |         | 3 | 870 60  |
| <i>House 36 Carey St.</i> |  |   |         |                |         |   |         |
| <i>Apr.</i> 13            |  | 2 | 1600    | <i>Apr.</i> 20 |         | 2 | 6 50    |
| 18                        |  | 2 | 9 25    |                |         |   |         |
| 26                        |  | 3 | 8 45    |                |         |   |         |
|                           |  |   | 1617 70 |                |         |   |         |

*Trial Balance, April 30.*

|                            |                 |                 |
|----------------------------|-----------------|-----------------|
| <i>A. W. Rivers</i>        |                 | 4500            |
| <i>Cash</i>                | 7054 05         | 6767 89         |
| <i>Indue.</i>              | 4740 19         | 4497 05         |
| <i>Geo. R. Watt</i>        | 2006 30         |                 |
| <i>Fifth Ave. Property</i> | 2376 30         | 56 80           |
| <i>Henry Danvers</i>       | 1500            | 3466 30         |
| <i>House 36 Carey St.</i>  | 1617 70         | 6 50            |
|                            | <u>19294 54</u> | <u>19294 54</u> |

*A. W. Rivers*

|                     |           |                    |                |                |             |          |                        |             |                |
|---------------------|-----------|--------------------|----------------|----------------|-------------|----------|------------------------|-------------|----------------|
| <i>Apr</i>          | <i>30</i> | <i>Net Capital</i> |                | <i>5248 26</i> | <i>Apr.</i> | <i>1</i> |                        | <i>4500</i> |                |
|                     |           |                    |                |                | <i>30</i>   |          | <i>Loss &amp; Gain</i> | <i>2</i>    | <i>748 26</i>  |
|                     |           |                    |                | <i>5248 26</i> |             |          |                        |             | <i>5248 26</i> |
|                     |           |                    |                |                | <i>May</i>  | <i>1</i> | <i>Net Capital</i>     |             | <i>5248 26</i> |
| <i>Cash</i>         |           |                    |                |                |             |          |                        |             |                |
| <i>Apr.</i>         | <i>1</i>  | <i>1</i>           | <i>4500</i>    | <i>Apr.</i>    | <i>1</i>    | <i>1</i> | <i>577 29</i>          |             |                |
|                     | <i>6</i>  | <i>1</i>           | <i>56 80</i>   |                | <i>3</i>    | <i>1</i> | <i>2360</i>            |             |                |
|                     | <i>10</i> | <i>2</i>           | <i>300</i>     |                | <i>15</i>   | <i>2</i> | <i>1600</i>            |             |                |
|                     | <i>16</i> | <i>2</i>           | <i>662 16</i>  |                | <i>18</i>   | <i>2</i> | <i>25 55</i>           |             |                |
|                     | <i>20</i> | <i>2</i>           | <i>6 50</i>    |                | <i>22</i>   | <i>3</i> | <i>299</i>             |             |                |
|                     | <i>20</i> | <i>2</i>           | <i>320 80</i>  |                | <i>23</i>   | <i>3</i> | <i>397 60</i>          |             |                |
|                     | <i>29</i> | <i>3</i>           | <i>337 19</i>  |                | <i>26</i>   | <i>3</i> | <i>8 45</i>            |             |                |
|                     | <i>29</i> | <i>3</i>           | <i>870 60</i>  |                | <i>30</i>   | <i>3</i> | <i>1500</i>            |             |                |
|                     |           |                    | <i>7054 05</i> |                | <i>30</i>   |          | <i>Balance</i>         |             | <i>6781 19</i> |
|                     |           |                    |                |                |             |          |                        |             | <i>286 16</i>  |
|                     |           |                    | <i>7054 05</i> |                |             |          |                        |             | <i>7054 05</i> |
| <i>May</i>          | <i>1</i>  | <i>Balance</i>     |                | <i>286 16</i>  |             |          |                        |             |                |
| <i>Merchandise</i>  |           |                    |                |                |             |          |                        |             |                |
| <i>Apr.</i>         | <i>1</i>  | <i>1</i>           | <i>577 29</i>  | <i>Apr.</i>    | <i>2</i>    | <i>1</i> | <i>341 55</i>          |             |                |
|                     | <i>5</i>  | <i>1</i>           | <i>397 60</i>  |                | <i>5</i>    | <i>1</i> | <i>320 80</i>          |             |                |
|                     | <i>12</i> | <i>2</i>           | <i>3466 30</i> |                | <i>9</i>    | <i>1</i> | <i>295 64</i>          |             |                |
|                     | <i>22</i> | <i>3</i>           | <i>299 19</i>  |                | <i>16</i>   | <i>2</i> | <i>662 16</i>          |             |                |
|                     | <i>30</i> | <i>2</i>           | <i>678 96</i>  |                | <i>19</i>   | <i>2</i> | <i>870 60</i>          |             |                |
|                     |           |                    | <i>4746 19</i> |                | <i>25</i>   | <i>3</i> | <i>2006 30</i>         |             |                |
|                     |           |                    |                |                | <i>30</i>   |          | <i>Inventory</i>       |             | <i>4497 05</i> |
|                     |           |                    | <i>5419 15</i> |                |             |          |                        |             | <i>922 10</i>  |
|                     |           |                    |                |                |             |          |                        |             | <i>5419 15</i> |
| <i>May</i>          | <i>1</i>  | <i>Inventory</i>   |                | <i>922 10</i>  |             |          |                        |             |                |
| <i>Geo. R. Hart</i> |           |                    |                |                |             |          |                        |             |                |
| <i>Apr.</i>         | <i>2</i>  | <i>1</i>           | <i>341 55</i>  | <i>Apr.</i>    | <i>10</i>   | <i>2</i> | <i>300</i>             |             |                |
|                     | <i>9</i>  | <i>1</i>           | <i>295 64</i>  |                | <i>29</i>   | <i>3</i> | <i>337 19</i>          |             |                |
|                     | <i>25</i> | <i>3</i>           | <i>2006 30</i> |                |             |          |                        |             |                |



# *Fifth Ave. Property*

|                           |                        |   |         |                |                         |   |         |
|---------------------------|------------------------|---|---------|----------------|-------------------------|---|---------|
| <i>Apr. 3</i>             |                        | 1 | 2360    | <i>Apr. 6</i>  |                         | 1 | 5680    |
| <i>18</i>                 |                        | 2 | 2376 30 | <i>30</i>      | <i>Inventory</i>        |   | 2400    |
| <i>30</i>                 | <i>Gain</i>            | 2 | 80 50   |                |                         |   |         |
|                           |                        |   | 2456 80 |                |                         |   | 2456 80 |
| <i>May 1</i>              | <i>Inventory</i>       |   | 2400    |                |                         |   |         |
| <i>Henry Danvers</i>      |                        |   |         |                |                         |   |         |
| <i>Apr. 23</i>            |                        | 3 | 397 60  | <i>Apr. 5</i>  |                         | 1 | 397 60  |
| <i>30</i>                 |                        | 3 | 1500    | <i>12</i>      |                         | 2 | 3466 30 |
| <i>Chas. A. Parker</i>    |                        |   |         |                |                         |   |         |
| <i>Apr. 5</i>             |                        | 1 | 320 80  | <i>Apr. 20</i> |                         | 2 | 320 80  |
| <i>19</i>                 |                        | 2 | 870 60  | <i>29</i>      |                         | 3 | 870 60  |
| <i>House 36 Carey St.</i> |                        |   |         |                |                         |   |         |
| <i>Apr. 15</i>            |                        | 2 | 1600    | <i>Apr. 20</i> |                         | 2 | 6 50    |
| <i>18</i>                 |                        | 2 | 9 25    | <i>30</i>      | <i>Inventory</i>        | 2 | 1600    |
| <i>26</i>                 |                        | 3 | 1617 70 | <i>30</i>      | <i>Loss</i>             | 2 | 11 20   |
|                           |                        |   | 1617 70 |                |                         |   | 1617 70 |
| <i>May 30</i>             | <i>Inventory</i>       |   | 1600    |                |                         |   |         |
| <i>Loss &amp; Gain</i>    |                        |   |         |                |                         |   |         |
| <i>Apr. 30</i>            | <i>N. 36 Carey St.</i> | 2 | 11 20   | <i>Apr. 30</i> | <i>Mdsc.</i>            | 1 | 678 96  |
| <i>30</i>                 | <i>A. N. Rivers</i>    | 1 | 741 26  | <i>30</i>      | <i>Fifth Ave. Prop.</i> | 2 | 50 50   |
|                           |                        |   | 759 46  |                |                         |   | 759 46  |

Balance Sheet. April 30.

| Accounts |                                     | Dr.      | C.       | Losses | Gains  | Resources | Liabilities |
|----------|-------------------------------------|----------|----------|--------|--------|-----------|-------------|
| 1        | W. H. Rivers                        |          | 4500     |        |        |           |             |
| 1        | Cash                                | 286 16   |          |        |        | 286 16    |             |
| 1        | Mdse. (Invnt. \$922.10)             | 4740 19  | 4497 08  |        | 678 96 | 922 10    |             |
| 1        | Geo. R. Hart                        | 2006 30  |          |        |        | 2006 30   |             |
| 2        | Fifth Ave. Property (Invnt. \$2400) | 2376 30  | 56 80    |        | 80 50  | 2400      |             |
| 2        | Henry Danvers                       |          | 1966 30  |        |        |           | 1966 30     |
| 3        | House 36 Carey St. (Invnt. \$1600)  | 1617 70  | 6 50     | 11 20  |        | 1600      |             |
|          |                                     | 11026 65 | 11026 65 | 11 20  | 759 46 | 7214 56   | 1966 30     |
|          | W. H. Rivers Net Gain               |          |          | 748 26 |        |           |             |
|          | W. H. Rivers Net Capital            |          | 4500     | 759 46 | 759 46 |           |             |
|          | Add. Net Gain                       |          | 748 26   |        |        |           |             |
|          | Present Net Capital                 |          |          |        |        |           | 5248 26     |
|          |                                     |          |          |        |        | 7214 56   | 7214 56     |

Statement April 30.

| Resources           |           |         |         |
|---------------------|-----------|---------|---------|
| Mdse.               | Inventory | 922 10  |         |
| Fifth Ave Property  | "         | 2400    |         |
| House 36 Carey St.  | "         | 1600    |         |
| Cash                |           | 286 16  |         |
| Geo. R. Hart        |           | 2006 30 | 7214 56 |
| Liabilities         |           |         |         |
| Henry Danvers       |           |         | 1966 30 |
| Present Net Capital |           |         | 5248 26 |
| • Investment        |           |         | 4500    |
| • Gain              |           |         | 748 26  |
| Gains               |           |         |         |
| Mdse.               |           | 678 96  |         |
| Fifth Ave Property  |           | 80 50   | 759 46  |
| Loss                |           |         |         |
| House 36 Carey St.  |           |         | 11 20   |
| Net Gain            |           |         | 748 26  |
| • Investment        |           |         | 4500    |
| • Capital           |           |         | 5248 26 |

\* This is a popular form of Statement in common use among bookkeepers. It is made up from the Trial Balance and Inventories, or it may be taken as an abstract from the Ledger after it is closed. While it shows the same results, it does not exhibit the condition of the business in detail so completely as does the Balance Sheet at top of page.

## BUSINESS PAPERS.

**113a.** This term is applied in a general way to all the different papers used in business. It applies in particular to notes, drafts, checks, orders, receipts, articles of agreement, bills, statements, memoranda, letters, etc.

Familiarity with the use of the different business papers is of the first importance to the student. While essentially simple in form and arrangement, they are, nevertheless, so varied in their application and use that great care must be taken in their preparation and execution.

The use of business papers has greatly facilitated the transaction of business. About 90% of the business of the country is transacted through the medium of checks, drafts, etc., money being used for only a small per cent. of the payments. The use of checks, notes, drafts, etc., has materially lessened the cost of transacting business between different cities, states, and countries. "Rates of exchange" between distant points, which formerly were quite an item in effecting settlements, have been almost entirely abolished.

## BUSINESS PAPERS DEFINED.

**A Bill** is a statement setting forth the amount of a debt, items, etc., for goods delivered, services rendered, etc. (See form page 30.)

**A Receipt** is a written acknowledgment of money received, generally setting forth the purpose for which it was paid. (See form below, also forms on page 31.)

**A Check** is a written order directing a bank or banker to pay money as therein stated. (See form page 31.)

**Statement of Account or Account Current.**—A detailed statement of an open account showing its present condition.

**An Account Sales** is an itemized statement of sales and charges, rendered by a commission merchant to the consignor. (See form page 87.)

**Notes and Drafts** (see pages 32-34).

**Bill of Lading.**—A receipt for goods delivered to a transportation company for shipment.

**Certified Check.**—A check that has been certified "good" by the cashier and for the payment of which the bank becomes responsible.

**Due Bill.**—A written acknowledgment of a debt in simple form.

**Invoice.**—A statement of goods received, either when purchased, or received for sale on account of others.

**Voucher.**—Any paper or document that vouches the truth of an account or confirms a business fact.

### RECEIPT ON ACCOUNT.

|                         |                         |
|-------------------------|-------------------------|
| 125 <sup>00</sup>       | Baltimore, Md., May 10. |
| Received of J. O. Brown |                         |
| Twenty-five             | no/100 Dollars          |
| on account.             |                         |
| Student.                |                         |

## BUSINESS BOOKKEEPING AND PRACTICE.

## FORM OF BILL CONTAINING ONE ITEM.

Baltimore, Md., May 3.

Mr. O. P. Ward.

Grand Avenue, City.

Bot of Student.

Terms Cash 12 N. Charles St.

|                             |                |      |    |
|-----------------------------|----------------|------|----|
|                             | 10 brls. Flour | 6.50 | 65 |
| Received Payment<br>Student |                |      |    |

## FORM OF BILL CONTAINING MORE THAN ONE ITEM.

Baltimore, Jan. 4.

Mr. H. A. Goodman.

Market St., City.

Bot of H. M. Grayson.

12 N. Charles St.

|                                               |                        |        |        |
|-----------------------------------------------|------------------------|--------|--------|
|                                               | 15 brls. Mess Pork 10. | 150    |        |
|                                               | 150 bu. Corn .45       | 67 50  |        |
|                                               | 320 " Oats .37         | 118 40 | 335 90 |
| Received Payment<br>H. M. Grayson<br>As Atty. |                        |        |        |

Make out the following bills on bill-cap paper and present for approval:

No. 1. March 3. Morgan & Co. sold to J. W. Brown, # 8 Ninth St., for cash, 7 brls. Potatoes, \$8.75.

No. 2. June 10. D. E. West sold to Howard & Earle, # 16 Euclid Ave., on account, 25 brls. Flour, \$5.00; 15 brls. Potatoes, \$3.00; 4 brls. Mess Pork, \$12.50; 2 brls. Apples, \$3.50.

No. 8. September 30. Wilson, Smith & Morgan sold to W. E. West, # 17 East St., on account, 275 bus. Wheat, \$.85; 845 bus. Corn, \$.39; 483 bus. Oats, \$.32; 137 bus. Barley, \$.65; 46 bus. Clover Seed, \$.35; 295 bus. Timothy Seed, \$1.25.

## RECEIPT IN FULL FOR BILL.

No. 22. Pittsburgh Pa. Jan. 20. —  
 Received of N. M. Grayson  
 the sum of Four Hundred Twenty-five Dollars  
 In full for bill of Jan. 16. —  
 \$425.00 — G. P. Deant Co.

## RECEIPT FOR RENT.

No. 16 Baltimore, Jan. 16. —  
 Received of N. M. Grayson  
 Fifty ————— Dollars  
 In full for rent for January  
 \$50.00 — Earle Winthrop

## CHECK.

No. 103 — Baltimore, Nov. 1 —  
**First National Bank**  
 PAY TO THE ORDER OF A. N. Rivers —  
 Three Thousand ————— DOLLARS  
 \$3000.00 — Harry Earle George

## NOTES, DRAFTS AND ACCEPTANCES.

**114. A Promissory Note** is an unconditional promise to pay a specified sum of money at a definite time. Below is given a

## FORM OF PROMISSORY NOTE.

\$324.<sup>56</sup> Baltimore, Md, Oct. 1,  
 Thirty days after date I promise to pay  
 to the order of Harold Wayne  
 Three Hundred Twenty-four <sup>56</sup>/<sub>100</sub> Dollars,  
 value received Payable at Third Natl. Bank  
 Due Oct. 31-3, Arthur Grayden

**115. The parties to a note** are the maker and the payee. The *Maker* is the party who promises to pay (the one who signs the note); the *Payee* is the party in whose favor the note is made (the one to whom the money is to be paid). In the note given above, Arthur Grayden is the maker, and Harold Wayne the payee.

<sup>115a</sup>. The maker and the payee are called the *original parties* to a note.

<sup>115b</sup>. When a note or other commercial paper contains the words "or bearer," or the words "or order," it is said to be *negotiable*, which means that it can be transferred from one party to another by delivery, or by endorsement and delivery. When it does not contain these words, it is said to be *non-negotiable*, which means that it cannot be transferred by delivery or by simple endorsement and delivery.\*

\*At common law, the term "non-negotiable," when applied to a paper, means that it cannot be transferred; but by statutory provisions in many states, all such papers can be transferred by *assignment*, though the transferee (assignee) gets no better title to the paper than the original holder had. In other words, he receives it subject to all defenses against it in the hands of the original holder, just as in the case of a negotiable paper transferred after maturity.

\$512.<sup>24</sup> Baltimore, June 10  
 Two months after date we promise to pay to  
 the order of J. A. Gmsbaugh & Co.  
 Five Hundred Twelve <sup>24</sup>/<sub>100</sub> Dollars  
 at Farmers & Drovers National Bank  
 Value received  
 No. 36 Due Aug. 10-13. Harold Wayne & Co.

**116. Transfer.**—When the payee transfers a note or other negotiable paper, he does so by writing his name across the back (thus becoming the first endorser) and delivers it to the endorsee.

<sup>116a</sup>. When a note is made payable “to bearer,” it is not necessary for the holder to endorse it when transferring it to another, but for prudential reasons it is generally requested. Below are shown the different kinds of endorsements.

| ENDORSEMENTS.                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------|
| (IN BLANK.)<br><i>J. A. Amstrong &amp; Co.</i>                                                                          |
| (IN FULL OR SPECIAL.)<br>Pay to the order of W. E. West.<br><i>J. A. Amstrong &amp; Co.</i>                             |
| (WITHOUT RECOURSE.)*<br>Pay to the order of W. E. West without recourse.<br><i>J. A. Amstrong &amp; Co.</i>             |
| (RESTRICTED.)<br>Pay to W. E. West only.<br><i>J. A. Amstrong &amp; Co.</i>                                             |
| (FOR COLLECTION.)<br>Pay Tenth National Bank for collection.<br><i>J. A. Amstrong &amp; Co.</i>                         |
| (ENDORSEMENT WITH GUARANTEE.)<br>We hereby guarantee the payment of the within note.<br><i>J. A. Amstrong &amp; Co.</i> |
| (FOR PART PAYMENT.)<br>\$50.00.<br>July 5, 189 , Received on the within note Fifty Dollars.†                            |

\*This means that the party so endorsing is relieved from any further claim or liability as endorser.  
†The writing of the name of the holder on the back of a note is a receipt in full in the hands of the maker, therefore it should always be omitted in endorsing for part payments.

**117. Maturity.**—The due date of a note or other commercial paper is the day upon which it falls due. This is often spoken of as the “date of maturity.” (See 118.)

<sup>117a</sup>. **Time to Run.**—The time to elapse between the date of a note or other contract and its date of payment, is spoken of as the “time to run.”

<sup>117b</sup>. When the time is indicated in days, the exact number of days is meant, not counting the day of making but counting the day of maturity. When the time is indicated in months, the same day of the maturing month is the day of maturity. (See <sup>118a</sup>.)

<sup>117c</sup>. **Due on Sunday or a Legal Holiday.**—At common law, when the last day of grace falls on Sunday or a legal holiday, the note or other commercial paper is considered due on the preceding *business* day. In a few states, however, statutes have been enacted making such paper payable on the first business day *following* the last day of grace. (See <sup>118b</sup>.)

**118. Days of Grace** are three days allowed by law in most states for the payment of notes, etc., in addition to the time specified. Interest is allowed on all interest-bearing papers for the days of grace.

<sup>118a</sup>. **Without Grace.**—If a note or contract for the payment of money contains the words, “without grace,” days of grace are not allowed, and it becomes payable on the date of maturity.

<sup>118b</sup>. At common law, a note “without grace” falling due on Sunday or a legal holiday, is considered due on the first *business* day following.

**119. A Draft** is a written order by one party upon another, requesting the latter to pay a specified amount of money to some person or firm named in the draft.

**120. The original parties to a draft** are the “drawer,” “drawee,” and “payee.”  
<sup>121</sup>The *Drawer* is the party who makes the request, or who draws the draft,—the one whose name is signed at the lower right-hand corner. <sup>122</sup>The *Drawee* is the party who is requested to pay the money,—the one upon whom the draft is drawn and whose name is written after “To,” in the lower left-hand corner. <sup>123</sup>The *Payee* is the one in whose favor the draft is drawn,—the one to whom the money is to be paid.

In the draft shown on the next page, the firm of Benedict Bros. is the *drawer*, A. R. Gordon & Co., the *drawee*, and Walsh & Field the *payee*.

\$300<sup>00</sup> Harrisburg, Pa., Oct. 25,  
 At sight pay to the order of \_\_\_\_\_  
 Walsh & Field \_\_\_\_\_  
 Three Hundred \_\_\_\_\_ Dollars  
 and charge to the account of \_\_\_\_\_  
 To A. R. Gordon & Co., Benedict Bros.  
 Baltimore, Md.

**124.** Drafts are drawn either "at sight," a specified number of days or months "after sight," or a specified number of days or months "after date."

<sup>124a.</sup> A draft drawn payable "at sight," is called a *sight draft*.

<sup>124b.</sup> A draft drawn payable at so many days or months "after sight" or "after date," is called a *time draft*.

**125.** Drafts drawn by one bank or banker upon another are called Bills of Exchange.

**NOTE.**—Express Money Orders, P. O. Money Orders, and Letters of Credit are of the same nature, but are not usually spoken of as drafts or bills of exchange, but are treated as cash.

**126. Acceptance.**—Before there is any promise or legal obligation on the part of the drawee of a draft to pay it, he must accept it. <sup>127</sup>This he does by writing his name and the date across the face of the draft, usually (but not necessarily) in red ink. <sup>128</sup>This acknowledgment is called his *acceptance*, and he is called the *acceptor*.

**129. Acceptance of Time Drafts.**—A draft drawn (made) payable at a certain time "after sight" should be presented to the drawee for acceptance as soon as possible after it is received, as the "time to run" does not begin until the draft has been accepted. For illustration: The draft shown on page 85 will run sixty (-three) days after Dec. 19, the date of acceptance, making it fall due Feb. 20; but if the draft had not been presented and accepted until Dec. 26, it would not have fallen due until Feb. 27. Or, again, if the holder of the draft should neglect to have it accepted for six months or any other length of time, it would still have sixty (-three) days to run before maturity.

<sup>129a.</sup> Time drafts made payable so many days or months after date need not be accepted in order to fix the date of maturity. But until the draft has been accepted, there is no promise on the part of the drawee that he will pay it; hence, it is better to present such a draft for acceptance within a reasonable time after it is received.

**130. Acceptance of Sight Drafts.**—In those states that allow days of grace on sight drafts,\* it is necessary to have them accepted the same as time drafts, payable "after sight." (See 129.)

**NOTE.**—There are other reasons why drafts should be presented promptly for acceptance; but these are of a legal nature and will not be discussed here.

**131. Acceptances.**—After drafts have been accepted, they are usually spoken of as "acceptances," and since there is, on the part of the acceptor of a draft, as much promise to pay as if he had signed his name to a promissory note, these acceptances are classed with notes under the head of Bills Receivable and Bills Payable. (See 132-3.)

## EXERCISES IN WRITING NOTES AND DRAFTS.

That you may become familiar with the forms of notes and drafts and the parties to them, the following examples are given you for practice. Write them up carefully, and present for examination.

Ex. 1.—Write a note, dated Dec. 30, payable 60 days after date, for \$150, in favor of R. E. Marshall (payee) and made by John E. Elster (maker).

\*There are twenty-seven states in the U. S. in which the law allows three days of grace on sight drafts.



Ex. 2.—Write a note made by Philip Hodges payable in two months, dated Dec. 31, in favor of S. E. Warden. Amount \$100.

S. E. Warden transfers the above note to William Chambers by endorsement "in full." Write proper endorsement on back of the note.

Ex. 3.—Write a note, dated Jan. 22, payable 15 days after date, for \$225.50, made by Charles B. Wilson & Co., in favor of J. A. Amsbaugh or bearer, which is transferred by endorsement "in blank" to Hussey, Hugh & Co., and by them transferred to Wells & Ray, by "special" endorsement and deposited by them in bank for collection.

Ex. 4.—Write a note, made by R. A. Walters, in favor of William Wright or bearer, payable in 30 days, dated June 10, for \$1550; transferred in blank to J. A. Amsbaugh & Co., and by them endorsed to J. B. Hare "without recourse."

June 25. Make proper endorsement for \$500, received for part payment on note, Ex. 4.

NOTE.—When an endorsement is made upon a note for partial payment, the name of the party receiving the money must not be signed at that time, as the simple endorsement of the holder is a receipt in full, when in the hands of the maker.

Ex. 5.—Write a note dated April 1, at 30 days, made by Dilworth Bros., "endorsed with guarantee" by Wells & Ray, in favor of William Wright or bearer, transferred by William Wright to S. A. Johnson & Co., without endorsement, and endorsed by them to the First National Bank for "collection and credit" for \$440.

Ex. 6.—Write a draft, dated August 1, at sight, for \$112.45, drawn by Thomas Jenkins on Wilson & Holmes (drawee), New York, in favor of Standard Manufacturing Co. (payee).

Ex. 7.—Write a draft, payable 30 days after sight, dated July 15, for \$432.55, in favor of Wilson & Co. (payee), drawn by Bindley Hardware Co. (drawer), on the Bradley Foundry Co. (drawee), Boston, and endorsed by Wilson & Co. to Speer, Hall & Co. or bearer. Write the proper acceptance across the face of the draft in red ink, dated July 19.

Ex. 8.—Write a draft, dated Sept. 3, for \$4023.04, payable 20 days after date, drawn by Merchants' Supply Co., in favor of J. A. Amsbaugh & Co., on Marvin & Co., Pittsburg, Pa., with the acceptance by Marvin & Co., dated Sept. 5, transferred by the payee with full endorsement to S. H. Laws, and endorsed by him in full for payment received.

|                                                                    |                     |
|--------------------------------------------------------------------|---------------------|
| \$1492 <sup>63</sup> / <sub>100</sub>                              | Baltimore Dec. 15   |
| At sixty days sight                                                | Pay to              |
| the order of Hallston, Marshall & Smith                            |                     |
| Fourteen Hundred Ninety-two <sup>63</sup> / <sub>100</sub> Dollars |                     |
| Value received and charge the same to account of                   |                     |
| To M. Grayson & Co.                                                |                     |
| No. 43 New York                                                    | J. M. Grayson & Co. |

## BILLS RECEIVABLE AND BILLS PAYABLE.

132. When other persons' notes, acceptances and time drafts come into our possession, we call them **Bills Receivable**, because we are to receive for them the amount specified, or their value when disposed of.

133. When our own notes and acceptances pass from us into the hands of other persons, we call them **Bills Payable**, because they are our written promises to pay the amount specified.

NOTE.—The Bills Receivable or Bills Payable account is essentially another form of a personal account. (See 25-27.) The principal difference is that one is a *written* contract, and the other is a *verbal* contract. Yet this difference, with the added advantage of being transferable,—that is, with the quality of negotiability,—lends to notes and acceptances the characteristics of a medium of exchange, which greatly increases their usefulness as a factor in the transaction of business.

BILLS RECEIVABLE ACCOUNT.

134. *The object* of this account is to show our dealings with other persons' notes, acceptances and time drafts, the value of which we are to receive when due. It is debited (*at their face value*) for all notes, acceptances and time drafts received, and credited (*at their face value*) for the same notes, acceptances and time drafts when they are disposed of, or when their amount is paid to us.  
<sup>135</sup>Therefore, *all items* that appear on the credit side of this account *must first appear on the debit side*.

From the above and from the General Law (64-67), we deduce the following for debiting and crediting

BILLS RECEIVABLE.

136. *Debit (at face value)*—

- a. At the beginning of business, for other persons' notes, acceptances and time drafts on hand.
- b. For all notes, acceptances and time drafts received from others, made or accepted in our favor.
- c. For all notes, acceptances and time drafts made payable to others and transferred to us by them.

137. *Credit (at face value)*—

- d. When the notes, acceptances and time drafts we hold against others are paid and surrendered (given) to them (59g).
- e. For others' notes, acceptances and time drafts we sell or get discounted.
- f. For all notes, acceptances and time drafts we transfer to other parties.
- g. For all part-payments received on notes, acceptances or time drafts.

SUMMARY.

138. *Debit*—for notes, acceptances and time drafts of others received (64b, d).

139. *Credit*—for notes, acceptances and time drafts of others when paid, discounted or disposed of (65f, h).

140. *The difference* (if any) between the two sides of Bills Receivable will always be a debit balance which shows a *resource* (44) equal to the amount of others' paper on hand.

<sup>140a</sup>. *Closing Bills Receivable*.—In business, Bills Receivable is never closed unless it balances, or when it becomes necessary to forward the account to a new page.

<sup>140b</sup>. *Checking Bills Receivable*.—Whenever you post an amount to the credit of Bills Receivable, check it *at once* with the corresponding debit entry, except in the case of part-payments.

**NOTE.**—When a part-payment on a note is posted to the credit of Bills Receivable, it should, if possible, be entered on the line opposite the debit for that note; but the entry should not be checked with the debit on which it is received until the balance of the note is paid.

Bills Receivable

|      |    |  |      |       |      |    |  |      |       |
|------|----|--|------|-------|------|----|--|------|-------|
| Oct. | 2  |  | x 1  | 500   | Oct. | 10 |  | x 7  | 500   |
|      | 3  |  | x 2  | 750   |      | 15 |  | x 10 | 85 50 |
|      | 5  |  | x 4  | 85 50 |      | 20 |  | x 14 | 750   |
|      | 12 |  | x 9  | 600   |      | 30 |  | x 22 | 250   |
|      | 17 |  | x 12 | 250   |      |    |  |      |       |
|      | 25 |  | x 18 | 150   |      |    |  |      |       |

*Journalize* the following transactions from Oct. 2 to 30 inclusive, on a sheet of bill-cap paper, as shown in illustration below.

TRANSACTIONS FOR EXAMPLE.

|                                                                             |        |                                                                          |       |
|-----------------------------------------------------------------------------|--------|--------------------------------------------------------------------------|-------|
| Oct. 2, Sold merchandise for note at 5 days for (136b) .....                | \$500. | Oct. 15, Received cash in payment for note of the 5th inst. (137d) ..... | 85.50 |
| 3, Received of John Jones on account, his acceptance at 30 days for (136b), | 750.   | 17, James Warren has accepted our draft at 10 days, in our favor (136b)  | 250.  |
| 5, Sold merchandise and received in payment, note at 10 days (136b)...      | 85.50  | 20, Gave John Jones' acceptance to Roe & Co. on account (137f) .....     | 750.  |
| 10, Note for \$500, our favor paid this day (137d).....                     | 500.   | 25, Sold merchandise for note at 30 days (138) .....                     | 150.  |
| 12, Received from George House his note at 90 days on account .....         | 600.   | 30, James Warren pays his acceptance of the 17th inst. (139) .....       | 250.  |

JOURNAL ENTRIES.

OCT. 2.

|                                   |                                                                                          |                  |                  |
|-----------------------------------|------------------------------------------------------------------------------------------|------------------|------------------|
| Bills Receivable,<br>Mdse.,<br>8. | Sold Mdse. for note at 5 days,<br><br>Received his acceptance,<br>at 80 days on account, | 500.<br><br>750. | 500.<br><br>750. |
|-----------------------------------|------------------------------------------------------------------------------------------|------------------|------------------|

Since all items posted to the credit side of this account must first appear on the debit side (see 135), it follows that the unchecked amounts of the debit side less any unchecked part-payments on the credit side, will show the balance of the account,—the amount of other persons' notes and acceptances on hand. (See 140.)

<sup>140c.</sup> *Ruling Bills Receivable.*—To facilitate the taking of a trial balance, rule the Bills Receivable account from time to time at the point where it last balanced.

BILLS PAYABLE ACCOUNT.

**141.** *The object* of this account is to show our dealings in our own notes and acceptances, the value of which we are obligated to pay when due. It is, therefore, just the opposite of the Bills Receivable account. (See 134.) It is credited for the face value of all notes we issue and drafts we accept, and debited for the face value of these notes and acceptances when they are received back, having been redeemed (paid) by us. Therefore, *all items* that appear on the debit side of this account *must first appear on the credit side.*

From the above and from the General Law (64-67), we deduce the following for debiting and crediting

BILLS PAYABLE.

|                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>142. Debit Bills Payable (at face value)—</b><br>a. When we pay our notes and acceptances and have them returned to us as evidence of payment (58d).<br>b. For all part-payments we make on our own notes or acceptances. | <b>143. Credit Bills Payable (at face value)—</b><br>c. At beginning of business for all notes and acceptances we owe, that is, for all notes and acceptances held by others against us.<br>d. For all notes we give or drafts we accept in favor of others (59h). |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

SUMMARY.

|                                                                          |                                                                |
|--------------------------------------------------------------------------|----------------------------------------------------------------|
| <b>144. Debit</b> —for our notes and acceptances redeemed or paid (64d). | <b>145. Credit</b> —for our notes and acceptances issued (59). |
|--------------------------------------------------------------------------|----------------------------------------------------------------|

**146. The Difference** (if any) between the two sides of Bills Payable will always be a credit balance which shows a *liability* (45) equal to the amount of our notes and acceptances outstanding.

**146a. Closing Bills Payable.**—In business houses, Bills Payable is never closed except when it balances, or when it becomes necessary to forward the account to a new page.

## Bills Payable

|         |  |    |     |        |  |    |     |
|---------|--|----|-----|--------|--|----|-----|
| Oct. 10 |  | 1  | 280 | Oct. 1 |  | 1  | 280 |
| 20      |  | 17 | 500 | 5      |  | 14 | 240 |
| 25      |  | 21 | 170 | 7      |  | 6  | 500 |
| 28      |  | 24 | 240 | 12     |  | 11 | 170 |
|         |  |    |     | 15     |  | 14 | 500 |
|         |  |    |     | 30     |  | 26 | 310 |

Study the following transactions, tracing the debits and credits and looking up the references in parentheses, so as to become familiar with the principal rules for debiting and crediting Bills Payable. Journalize on bill-cap paper.

### TRANSACTIONS FOR EXAMPLE.

|                                                                                |                                                                       |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Oct. 1, Bought merchandise for our note at 10 days (143d) ..... \$280.         | Oct. 15, Gave J. S. Bridges our note at 60 days (143d) for ..... 500. |
| 5, Bought merchandise and gave in payment our note at 20 days (143d) .... 240. | 20, Paid our note of the 7th inst. (142a) .. 500.                     |
| 7, Borrowed cash on our note at 10 days (143d) ..... 500.                      | 25, Paid acceptance favor of D. Slote & Co. (142a) ..... 170.         |
| 10, Prepaid our note of the 1st inst. (142a) 280.                              | 28, Paid our note of the 5th inst. (144) ... 240.                     |
| 12, Accepted D. Slote & Co.'s draft at 10 days' sight for (143d) ..... 170.    | 30, Accepted D. Slote & Co.'s draft on us at 30 days (145) ..... 310. |

### JOURNAL ENTRIES.

Oct. 1.

|                |                                     |      |      |
|----------------|-------------------------------------|------|------|
| Mdse.,         | Bo't for our note at 10 days,       | 280. |      |
| Bills Payable, |                                     |      | 280. |
| 5.             |                                     |      |      |
| Mdse.,         | Bo't Mdse.,                         | 240. |      |
| Bills Payable, | Gave note at 20 days,               |      | 240. |
| 7.             |                                     |      |      |
| Cash,          | Rec'd cash for our note at 10 days, | 500. |      |
| Bills Payable, |                                     |      | 500. |

**146b. Checking and Ruling Bills Payable.**—To facilitate the taking of the trial balance, check the credit entries as fast as the same amounts are posted to the debit side; then, before footing the account for trial balance, rule up the account at the point where it balanced last, as shown in the example above.

### TRANSACTIONS FOR PRACTICE.—SERIES 4, SET 1.

**Special Features.**—Continuation of Set 1, introducing two new accounts; viz., Bills Receivable and Bills Payable, which are to be checked and ruled according to 140a and 146a.

Record the following transactions in your Journal, immediately following the preceding work, writing the date (October 1) on the first line below the last entry for September 30.

Whenever there is a reference in parentheses, be sure to consult it before writing the record for that transaction. By doing this you will keep from making errors in the debits and credits, and at the same time you will become better acquainted with the principles of bookkeeping.

## BUSINESS MEMORANDA.

- Oct 1, Sold merchandise to Jas. Howard for his note at 5 days \$80. (136b.)  
Bought merchandise from Alex. Himer for our note at 5 days, \$1345.18 (143d).
- 2, Sold merchandise for cash, \$32.96.  
Received note at 10 days (136b), from Arthur Grayden on account, \$128.37 (108n).  
Sold Chas. F. Foster & Co. on account, merchandise per bill, \$243.67 (107b).
- 3, Sold to G. B. Dean & Co. on account (107b), subject to draft, merchandise per bill, \$1123.75 (80g).  
Sold Arthur Grayden on account (109) 30 days, merchandise per bill, \$442.49.  
Received cash for office rent Charles St. Building, \$210. (98g).  
Bought from Harold Wayne on account (108k) 30 days, merchandise per invoice, \$1742.
- 4, Received note at 5 days (138) from Chas. F. Foster & Co. (108n) in part payment of bill of Oct. 2, \$150.  
Gave Harold Wayne (107e) our note at 5 days (145) in payment of bill of Sept. 26, \$365.
- 6, Drew a draft in favor of Harold Wayne (107g) at sight on G. B. Dean & Co., \$79.77 (108o).  
Received from Chas. F. Foster & Co. on account (108p) their draft on Morris & Co., at 10 days' sight in our favor, which has been accepted, \$93.67 (136b).  
Paid Harold Wayne cash on account, \$500.
- Oct. 6, Bought merchandise per bill from Chas. F. Foster & Co. on account, \$315.
- 7, Paid janitor's services in Charles St. Building, \$12.50 (97c).  
Accepted Chas. F. Foster & Co.'s draft on us (107f) in their favor at 10 days' sight in part payment of bill of Oct. 6, \$200. (143d).
- 8, Bought chandeliers for Charles St. Building (97c) from the Duer Hardware Co. on account, \$165. (108k).  
Sold Arthur Grayden merchandise on account, \$113.25.
- 9, Received cash from Jas. Howard for his note due to-day, \$80 (137d).  
Paid our note (142a) in favor of Alex. Himer in cash, \$1345.18.
- 10, Gave Harold Wayne (107e) our note at 30 days in full of account, \$1162.23 (145).  
Received from Arthur Grayden on account, \$343.94.
- 11, Received for rent of Charles St. Building, \$341.50.  
Paid Duer Hardware Co. in full, \$165.  
Paid our note (144) favor Harold Wayne due to-morrow, \$365.
- 13, Received cash for Chas. F. Foster & Co.'s note, \$150 (137d).  
Bought merchandise for cash, \$221.16.
- 14, Received note at 30 days (136b) from G. B. Dean & Co. to apply on account, \$1000. (108n).
- 15, Received cash from Arthur Grayden for his note due to-day, \$128.37 (139).

## INVENTORIES.

|                                 |         |
|---------------------------------|---------|
| Charles St. Building, . . . . . | \$4400. |
| Merchandise on hand, . . . . .  | 1826.42 |

Present your Journal to the teacher for examination. When it has been approved and returned to you, attend first to any special instructions the teacher may give in regard to it; then proceed with your work according to instructions in the following paragraphs.

147. First read <sup>102b</sup>, page 15, and <sup>147a</sup>, b and c, below; then proceed to post the debits and credits from your Journal, opening new accounts with Bills Receivable and Bills Payable, giving each one-half page space.

<sup>147a</sup>. In posting, when a personal account balances, rule it up at once, as shown in the Example on page 18, and explained in <sup>111a</sup> and <sup>111b</sup>. This will occur in Arthur Grayden's account, Oct. 2, and again Oct. 10; in Harold Wayne's account, Oct. 10, and in the account with Duer Hardware Co., Oct. 11.

<sup>147b</sup>. In posting to the credit of Bills Receivable check the entries with the corresponding amounts previously debited to that account. (See <sup>140b</sup>.)

<sup>147c</sup>. In posting to the debit of Bills Payable check the entries with the corresponding amounts previously credited to that account. (See <sup>140b</sup>.)

<sup>147d</sup>. When you have finished posting, rule the Bills Receivable and Bills Payable accounts at the point where they balanced last, as shown by the checking. (See <sup>140b</sup> and <sup>140b</sup>.)

In Bills Receivable this balance-ruling should be on the line under the credit entry Oct. 15; and in Bills Payable, just below the debit entry Oct. 11.

<sup>147e</sup>. Next take a trial balance and present it to your teacher for approval.

<sup>147f</sup>. Proceed to close the Ledger as heretofore, following *carefully* the order given in the ten steps

outlined in paragraph 104. Remember that personal, Bills Receivable and Bills Payable accounts, are not to be closed.

When you have finished closing the Ledger, present your books to the teacher for examination and approval. If your work is correct the net gain is \$603.60 and the net capital \$7781.55.

### EXERCISES IN JOURNALIZING DRAFTS AND NOTES.

Write on bill-cap paper the Journal entries which each party would make in his books for the following transactions: Make the entries in the order in which the persons' names are given.

First determine which is the "drawer," "drawee," and "payee."

The drawer always *credits* the drawee; the drawee always *debits* the drawer. The corresponding debit or credit is determined by the nature of the transaction. Remember that the drawer and the payee may be one and the same person.

Sight drafts are generally treated as *cash* by the payee, or party receiving them.

Refer to the special law governing each transaction as indicated.

#### TRANSACTIONS.

1. R. C. Adams (107g, 108o) gave B. E. Anderson on % (72, 108p) his draft at sight on Wm. Friend (107f, 73) for \$250.
2. Harold Wayne (107g, 108o) gave Arthur Grayden on % (136b, 108p) his draft at 60 days' sight on G. B. Dean & Co. (107f, 143d) for \$1000.
3. James Warren (107g, 108o) drew a draft at 30 days' sight on Richard Shields (107f, 143d) in favor of Thomas Niland (136b, 108p) for \$2500.
4. David Irvin (107g, 108o) drew a draft at 60 days after date on Ira Willis (107f, 143d) in favor of Harry Milton (135b, 108p) for \$465.
5. F. G. Botsford (72, 108p) received on % a sight draft from Andre Danvers (109, 110) drawn on Frank Archer (107f, 73) for \$750.
6. H. M. Grayson (72, 65c) made a draft at sight in favor of himself on Earle Winthrop on % and deposited it in bank for credit, \$140.
7. Geo. R. Hart (107f, 145) accepted E. R. Grayson's (138, 110) draft at 10 days' sight in favor of himself on % for \$1650.
8. Chas. Haworth (138, 110) made a draft in favor of himself at 60 days after date on L. P. Vest (107f, 145), which Vest accepted and returned, for \$375.
9. The drawer is Dilworth Bros., the drawee is Merchants Supply Co., the payee is C. M. Russell & Co. The draft is drawn at sight for \$1265.
10. James Harris is the drawee, R. A. Walters the payee, and Wells & Ray the drawers of a draft at 60 days' sight for \$940.  
Wm. Wright cashed R. A. Walters' sight draft on Henry Smith for \$100, favor Wood & Co.
11. Karl Mosby (138, 108q) received from Chas. P. Wilson & Co. (107h, 137f) on % a draft at 30 days' sight drawn in Wilson & Co.'s favor by Harry Arnold & Co. (107g, 108o) and accepted by J. A. Amsbaugh & Co. (107f, 145) for \$530.
12. M. Grace & Co. (107h, 137f) transferred to Lloyd & Co. (138, 108q) by endorsement a draft in their favor accepted by Post & Gale (107f, 145) and drawn by Wells & Ray (107g, 108o) for \$5000.
13. W. A. Baker (138, 108n) received from G. S. Ward (107c, 145) on % his note at 30 days with interest, for \$225.
14. W. A. Baker (107h, 139) transferred the above note to Kennedy & Richards (138, 108q) on %, at its face value, \$225.
15. Chas. A. Parker loaned James Manning \$500, on his note at 60 days with interest.
16. Johnston and Davis received from H. M. Grayson on %, a note at 30 days, made in his favor for \$200, and a draft at 60 days' sight in which Grayson is the payee, R. J. Campbell the drawer and Henry Smith the acceptor, for \$400.
17. Woodworth & Co. cashed Jas. Harris' sight draft on J. A. Amsbaugh & Co. \$75, favor Dee & Co.
18. J. M. Reed & Co. paid Merchants Supply Co. on %, a sight draft, drawn by R. A. Walters on the Merchants Supply Co., in favor of J. M. Reed & Co., for \$630.
19. L. A. Brown gave his draft at sight on Wm. Wright for \$100 to Wells & Ray, for their note at 30 days with interest, for the same amount.
20. F. A. Rice exchanged notes with M. G. Shriver, for mutual accommodation, each made at 30 days, for \$375.
21. Geo. R. Hart received on % from M. Grace & Co. their draft at 60 days, drawn on and accepted by Post & Gale, for \$1000; E. R. Grayson received on % from Earle Winthrop his draft at 60 days, drawn on and accepted by Martin & Co., for \$1000; Geo. R. Hart and E. R. Grayson exchange these drafts for mutual accommodation.
22. Richard Percy received from Wm. Brown on %, his note at 30 days for \$950, also a draft at 10 days' sight, drawn by Robert Hanover on James Walken, for \$800.

NOTE.—If any additional exercises are necessary, the student may make the Journal entries for notes and drafts contained in exercises for Notes and Drafts, pages 34 and 35.

ACCOUNTS SHOWING LOSSES AND GAINS.  
USE AND SERVICE ACCOUNTS.

148. The losses and gains of a business come from two general sources : First, from our speculative investments in merchandise, real estate and other property, as already explained under the head of Merchandise and Property Accounts ; and second, from the incidental receipts and expenditures for the uses and services that are necessary in carrying on the business. The latter are shown in accounts for Expense, Interest and Discount, Commission, Furniture and Fixtures.

148a. The debits to such accounts, as Expense, Interest and Discount, and Commission, are really losses to the business, and the credits to them are gains. These losses and gains may be entered directly into the Loss and Gain account; but in order to designate their sources in detail, separate accounts should be kept with each use or service, though they are all finally closed into Loss and Gain.

148b. Your attention is especially called to the terms Use and Service, which are employed in reference to expenses, interest, discount, commission, etc. These terms are synonymous except in their application. We speak of the *use* of property and things, and the *services* of persons. These uses and services are received and given on exactly the same principle that property is received and given (bought and sold).

148c. *In the Expense account* are recorded the purchases of those things that are bought with the expectation that they will be consumed ('used up') in carrying on the business, and also the regular as well as the purely incidental outlays for services or labor in conducting the business. In brief, it shows the cost of carrying on the business.

From the foregoing and from the General Law (64-67) we deduce the following for debiting and crediting

EXPENSE.

149. Debit Expense—

- a. For what is bought to be used or consumed in the business, without the expectation of selling it.
- b. For money paid or credits given for uses or services received, such as Advertising, Insurance, Salaries, Light, Labor, Collection, Exchange, etc., unless separate accounts are kept with such uses or services. (See 154.)

150. Credit Expense—

- c. For what is sold after it has been debited to Expense.
- d. Before closing the account, enter on this side the value of the unused material or of unexpired services (such as Insurance, Rent, etc.) previously debited to Expense. (See 153.)

SUMMARY.

151. Debit—for all incidental outlays not chargeable to any other use or service account.

152. Credit—for returns,—if any.

153. The difference between the two sides of Expense after the Inventory (if any) is entered, shows a gain or a loss (usually the latter), which is transferred to the Loss and Gain account, as described in the following paragraph.

153a. To close Expense, write on the smaller side (in red ink) the difference, the date of closing, the words "Loss and Gain," and the page of the L. and G. account. Then rule and foot the account and carry the loss and gain to the opposite side of Loss and Gain, writing it there in black ink.

Expense

|         |           |    |      |         |             |    |       |
|---------|-----------|----|------|---------|-------------|----|-------|
| Aug. 1  |           | 1  | 9 50 | Aug. 15 |             | 17 | 5     |
| 2       |           | 3  | 25   | 25      |             | 22 | 2     |
| 3       |           | 5  | 6 50 | 31      | Inventory   |    | 2 50  |
| 5       |           | 7  | 50   | 31      | Loss & Gain | 5  | 11 50 |
| 7       |           | 8  | 5    |         |             |    |       |
| 25      | 54.50     | 22 | 7 50 |         |             |    |       |
|         | 9.50      |    | 54   |         |             |    | 54    |
| Sept. 1 | Inventory |    | 2 50 |         |             |    |       |

Study the following transactions, tracing the debits and credits, and looking up the references in parentheses, so as to become familiar with the principal rules for debiting and crediting Expense. Journalize the following on bill-cap paper :

TRANSACTIONS FOR EXAMPLE.

|                                                                     |        |                                                                          |      |
|---------------------------------------------------------------------|--------|--------------------------------------------------------------------------|------|
| Aug. 1, Bought set of books and stationery<br>for cash (149a) ..... | \$9.50 | Aug. 7, Paid for janitor's services (149b)....                           | \$5. |
| 2, Paid rent for 1 month in advance<br>(149b) .....                 | 25.    | 15, Received cash for desk room (150c)...                                | 5.   |
| 3, Bought ton of coal (149a) .....                                  | 6.50   | 25, Paid gas bill (149a) .....                                           | 7.50 |
| 5, Paid for postage stamps (149a).....                              | .50    | Received cash from owner of build-<br>ing for hall gas jets (150c) ..... | 2.   |
|                                                                     |        | 31, Inventory of coal on hand .....                                      | 2.50 |

JOURNAL ENTRIES.

Aug. 1.

|          |                                     |    |    |    |    |
|----------|-------------------------------------|----|----|----|----|
| Expense, | Bo't set of books and Stationery,   | 9  | 50 |    |    |
| Cash,    |                                     |    |    | 9  | 50 |
| 2.       |                                     |    |    |    |    |
| Expense, | Paid rent for one month in advance, | 25 |    |    |    |
| Cash,    |                                     |    |    | 25 |    |

**154. Classified Expense Accounts.**—It is generally desirable and often necessary to keep separate accounts of the outlays for salaries, rent, advertising, insurance, storage, light, freight, packing, fuel, labor, taxes, etc., in order that the proprietor may have information upon which to base his calculations for future operations, or in order that certain expenses may be appropriated to special property or merchandise accounts, or divided up and charged to various departments of the business at the end of the year. The plan that best serves the interests of the business is the one to adopt.

<sup>154a.</sup> When special or classified expense accounts are kept, the "General Expense" account will contain only such items of expenditure as are not charged to any other account.

<sup>154b.</sup> When a special expense account (such as Storage, Freight, Packing, Insurance, etc.) represents a direct outlay on merchandise, it should be closed into Merchandise before the latter account is closed into Loss and Gain. (See 79f, foot-note.)

<sup>154c.</sup> When an article that has been charged to a special expense account is sold or disposed of for value, the amount received for it should be credited to the account previously debited for it. (See 150c.)

INTEREST AND DISCOUNT.

**155. Interest** is the use of money when, or *after it is due*. <sup>155</sup>**Discount** is the use of money *before it is due*; that is, when the use of the money is paid for in addition to paying the principal, which is usually done after the person paying for it has had the use of the money, it is called *interest*. But when a person is charged for the service of money before he has had the use of it, and the charge for such use is taken out of the amount of money upon which it is calculated, it is commonly spoken of as *discount*.\*

**ILLUSTRATION.**—Thus, if a man borrows \$1000 for one year, agreeing to pay 6 per cent. for the use of it, and at the end of that time pays \$1060, the \$60 is called *interest*; but if he borrows the money from someone who keeps out the \$60, giving him only \$940, the \$60 is called *discount*. The one who loans the money and keeps out the \$60 credits "Discount"\* (or "Interest and Discount") for that amount, because he gives the use of his money (65g) for which he receives pay (cash) in advance out of the amount upon which the use is calculated. The person who borrows the money debits "Discount" (or "Interest and Discount") because he receives the use of money (64c) for which he pays in advance by having the value of such use withheld from the amount upon which it is calculated. It is the same as if the borrower had received \$1000 and then turned around and handed \$60 back to the lender for the use of his money in advance of such use.

\*Theoretically, payments for interest (use of money) are divided into premium payments and discount payments, premium being the use paid for in addition to the principal *after* it is due, and discount being the use paid for *before* due by having its value deducted from the principal or amount discounted.



**157.** Interest is calculated on interest-bearing notes from the date on which they begin to draw interest to the date they are due, which is the last day of grace. Discount is computed for the exact number of days from the date of discount to the due date. <sup>158</sup>Interest-bearing notes are discounted for the *face* of the note *plus* the *interest*, which is the *amount*. The amount of the note less the discount equals the *proceeds*.

**159.** At the beginning of business, the date on which the books are opened, any interest due the proprietor or firm is a resource (44) and should be debited to Interest, and on the other hand, interest owed by the proprietor or firm at the beginning of business is a liability (45) and should be credited to Interest.

From the foregoing and from the General Law (64-67) we deduce the following for debiting and crediting.

#### INTEREST AND DISCOUNT.

##### 160. Debit Interest and Discount—

- a. At beginning of business, for all interest due to us from others on Bills Receivable, bonds, claims, accounts, etc.
- b. For all use of money (Interest) received by us on our own notes (Bills Pay.), accounts, etc., and for which we pay or allow credit.
- c. For all deductions on notes and time drafts that are discounted for us.
- d. For the discount we allow others on their own notes (Bills Rec.) when they prepay them.
- e. For discount allowances we make to others on notes and drafts that we transfer to them for purchases or on account.
- f. Before closing this account, to find the gain or loss, enter on this side (in red ink) the amount of interest accrued and unpaid on debts (Bills Pay., accounts, etc.) we owe to others, writing as an explanation "Inventory," or "Accrued and Unpaid." (See 220.)

##### 161. Credit Interest and Discount—

- g. At beginning of business, for all interest we owe to others on notes (Bills Pay.), accounts, etc.
- h. For all use of money (Interest) given to others on their notes (Bills Rec.), accounts, etc., and for which they pay or give us credit.
- i. For all deductions on notes and time drafts that we discount for others.
- j. For the discount others allow us on our own notes (Bills Pay.) when we prepay them.
- k. For the discount others allow us on notes and drafts they transfer to us for purchases or on account.
- l. Before closing this account, to ascertain the gain or loss, enter on this side (in red ink) the amount of interest accrued and unpaid on debts (Bills Rec., etc.) others owe to us, writing as an explanation "Inventory," or "Accrued and Unpaid." (See 220.)

#### SUMMARY.

##### 162. Debit—for all use of money received.

NOTE.—The debit side of this account shows the allowance to others for interest (use of money) received from them.

##### 163. Credit—for all use of money given.

NOTE.—The credit side of this account shows the allowances by others to us for interest (use of money) given to them.

**164.** Interest is always debited or credited *the same* as the account which produces it. Discount is always debited or credited *just the opposite* of the account on which it is allowed.

**165. The Difference** between the two sides of Interest and Discount, after the Inventories (if any) have been entered, shows the loss or gain on interest,—a *loss* when the *debit* side is the larger, a *gain* when the *credit* side is the larger. At time of closing, this loss or gain is transferred to the Loss and Gain account, as described in the following paragraph.

<sup>165a</sup>**To close Interest and Discount**, write on the smaller side (in red ink) the amount of the difference, the date of closing, the words "Loss and Gain," and the page of the L. and G. account. Then rule and foot the account and carry this loss or gain to the opposite side of Loss and Gain, writing it there in black ink.

NOTE.—It will be observed that the account on the next page is opened under the head of "Interest and Discount." When it is desirable, separate accounts may be opened with Interest and with Discount, and again bookkeepers sometimes use only the one word "Interest," or "Discount," and under it post all the items of interest and discount. You will observe that only discounts pertaining to notes, etc., are entered in the Interest and Discount account. "Merchandise Discount" account is a different account, and contains only the discounts received and allowed on purchases and sales. It is fully explained elsewhere (79c).

## Interest & Discount

|        |             |    |        |        |        |    |        |
|--------|-------------|----|--------|--------|--------|----|--------|
| Aug. 5 |             | 7  | 13     | Aug. 1 |        | 3  | 25     |
| 15     |             | 13 | 15     | 10     |        | 10 | 45 12  |
| 30     |             | 27 | 50     | 20     | 155.12 | 21 | 95 12  |
| 31     | Loss & Gain | 5  | 77 12  |        |        |    | 155 12 |
|        |             |    | 155 12 |        |        |    |        |

Journalize the following on bill-cap paper.

### TRANSACTIONS FOR EXAMPLE.

|                                                                              |       |                                                  |     |
|------------------------------------------------------------------------------|-------|--------------------------------------------------|-----|
| Aug. 1, Received cash for the use of money given (Interest) (163) .....      | \$25. | Aug. 15, Paid cash for interest (162) .....      | 15. |
| 5, Paid cash for the use of money received (162) .....                       | 13.   | 20, Received cash for interest (use given) ..... | 85. |
| 10, Prepaid our note, \$800. Dsct. (use) given to maturity. (161/ or 162.).. | 45.12 | 30, Paid cash for interest (use received)        | 50. |
| <b>Results shown.</b> —Gain, \$77.12. See account above (165.)               |       |                                                  |     |

## COMMISSION ACCOUNT.

**166. Commission** is a percentage charged by an agent or commission merchant for his services. This account is, therefore, a *service* account. It is debited for all such services *received* (which we pay for) and credited for all such services *given* (for which we receive pay).

<sup>166a</sup>a. "Storage," "Salaries," and other like accounts are similar to the commission account, and are kept in the same way.

From the foregoing and from the General Law (64-67) we deduce the following for debiting and crediting the

### COMMISSION ACCOUNT.

#### 167. Debit Commission—

- a. At beginning of business for all commission earned and unpaid, due us from others.
- b. For the amount of others' services in this capacity, received and paid for or credited to them.
- c. Before closing this account, to find the loss or gain, enter on this side (in red ink) the amount of commission earned by others and remaining unpaid, using the explanation "Inventory," or "Earned and Unpaid."

#### 168. Credit Commission—

- d. At the beginning of business for all commission earned and unpaid due to others.
- e. For the amount of our services given to others in this capacity, for which they pay or credit us.
- f. Before closing this account, to find the loss or gain, enter on this side (in red ink) the amount of commission earned by us and remaining unpaid, using the explanation "Inventory," or "Earned and Unpaid."

### SUMMARY.

**169. Debit**—for all commission services received (64c).

NOTE.—The debit side of this account shows what commission has cost us. (See 66.)

**170. Credit**—for all commission services given (65g).

NOTE.—The credit side of this account shows what commission has produced us. (See 67.)

**171. The difference** between the two sides of Commission after the Inventory (if any) has been entered, shows a loss or a gain,—a loss when the debit side is the larger, a gain when the credit side is the larger. At the time of closing, this loss or gain is transferred to Loss and Gain, as described in the following paragraph.

<sup>171a</sup>a. **To close Commission**, write on the smaller side (in red ink) the difference, the date of closing, the words "Loss and Gain," and the page of the L. and G. account. Then rule and foot the account and carry this loss or gain to the opposite side of Loss and Gain, writing it there in black ink.

## Commission

|        |             |    |        |       |  |    |       |
|--------|-------------|----|--------|-------|--|----|-------|
| Aug 24 |             | 24 | 41 50  | Aug 1 |  | 1  | 1 50  |
| 31     | Loss & Gain | 5  | 162 50 | 8     |  | 5  | 16 50 |
|        |             |    |        | 16    |  | 12 | 18    |
|        |             |    |        | 30    |  | 27 | 19 50 |
|        |             |    | 204    |       |  |    | 204   |

Study the following transactions, tracing the debits and credits, and looking up the references in parentheses, so as to become familiar with the principal rules for debiting and crediting Commission. Journalize on bill-cap paper.

### TRANSACTIONS FOR EXAMPLE.

Aug. 1, Received cash for services rendered in selling produce on commission (168e) ..... \$150.  
 8, Received cash for services rendered (168e) in renting house on Third Ave. .... 16.50  
 16, Received cash commission earned from the retail produce business (168e) ..... 18.

Aug. 24, Paid cash for services received from real estate agent for disposing of lot on commission (167b) ..... 41.50  
 30, Received cash commission for services rendered (168e) in effecting sale of carload of potatoes ..... 19.50

Results shown.—Gain, \$162.50. See account above (171).

## FURNITURE AND FIXTURES.

**172.** This is an account with articles of furniture, such as desks, safes, stoves, chairs, tables, portable scales, movable counters, show-cases, etc., bought for use in offices, stores, factories, hotels, etc., and with things annexed to real property, such as gas-fixtures, shelves attached to the walls, counters fastened to the floor, or other things attached to the property in any way for the purposes of trade or manufacture. The latter are called fixtures.

**172a.** Since the horses and wagons required in some kinds of business for delivering or hauling goods cannot properly be classed with furniture and fixtures, it is best to open an account with them under the title "Horses and Wagons," or "Teams and Wagons," debiting and crediting it as in case of Furniture and Fixtures.

**173.** The Furniture and Fixtures account is intermediate between Property accounts (95) and Expense (148). The things charged to it are not bought with the expectation of selling them for profit, which is the essential idea of Merchandise and other property accounts; neither is it expected that they will be consumed or "used up" in conducting the business, hence, they are not properly chargeable to the Expense account.

**174.** As in the case of Expense (see <sup>150c</sup>), when anything which has been charged to Furniture and Fixtures is sold, the account should be credited.

From the foregoing and from the General Law (64-67) we deduce the following for debiting and crediting

### FURNITURE AND FIXTURES.

#### 175. Debit Furniture and Fixtures—

- a. At the beginning of business, for the value of all furniture and fixtures then on hand.
- b. For all subsequent purchases of furniture or fixtures.

#### 176. Credit Furniture and Fixtures—

- c. For sales of anything previously charged to this account.
- d. Before closing the account, to ascertain the gain or loss, enter on this side (in red ink) the value of furniture and fixtures on hand, using the word "Inventory."

### SUMMARY.

Debit—for costs. (66.)

Credit—for sales. (67.)

**177. The difference** between the two sides of Furniture and Fixtures after the Inventory (if any) has been entered, shows a loss or a gain,—a loss when the debit side is the larger, a gain when the credit side is the larger. At the time of closing, this loss or gain is transferred to Loss and Gain, as described in the following paragraph.

<sup>177a.</sup> To close *Furniture and Fixtures*, write on the smaller side (in red ink) the difference, the date of closing, the words "Loss and Gain," and the page of the L. and G. account. Then rule and foot the account and carry this loss or gain to the opposite side of Loss and Gain, writing it there in black ink.

Study the following transactions, tracing the debits and credits, and looking up the references in parentheses, so as to become familiar with the principal rules for debiting and crediting Furniture and Fixtures.\*

## *Furniture & Fixtures*

|       |    |           |    |        |     |    |             |     |        |
|-------|----|-----------|----|--------|-----|----|-------------|-----|--------|
| Aug.  | 1  |           | 3  | 35     | Aug | 29 |             | 27  | 25     |
|       | 2  |           | 5  | 137 50 |     | 31 | Inventory   | 253 | 59     |
|       | 4  |           | 7  | 39 60  |     | 31 | Loss & Gain | 6   | 40 71  |
|       | 8  |           | 12 | 12     |     |    |             |     |        |
|       | 10 | 318.60    |    | 18     |     |    |             |     |        |
|       | 15 | 253.89    |    | 77 50  |     |    |             |     |        |
|       |    |           |    | 318 60 |     |    |             |     |        |
| Sept. | 1  | Inventory |    | 253 89 |     |    |             |     | 318 60 |

Journalize the following:

### TRANSACTIONS FOR EXAMPLE.

|                                                                           |        |                                                                                         |         |
|---------------------------------------------------------------------------|--------|-----------------------------------------------------------------------------------------|---------|
| Aug. 1, Bought office-desk for cash (175b) ..                             | \$35.  | Aug. 15, Paid for show-cases .....                                                      | \$77.50 |
| 2, Paid for counters .....                                                | 137.50 | 29, Sold one counter for cash (176c) ....                                               | 25.     |
| 4, Paid carpenter for labor and material for building shelves (175b) .... | 39.60  | 31, Furniture and Fixtures on hand inventoried at 10 % less than cost (176d), \$253.89. |         |
| 8, Bought scales for weighing, pd. cash                                   | 12.    |                                                                                         |         |
| 10, Paid for office-chairs .....                                          | 18.    |                                                                                         |         |

Results shown.—Loss, \$40.71 (177).

## LOSS AND GAIN ACCOUNT.

**178.** This account is kept for the purpose of showing the *net* loss or gain resulting from the transaction of business since the last closing of the Ledger. In it are grouped the gains and losses of the business. <sup>179</sup>To it are transferred the losses and gains from the speculative accounts, such as Merchandise, Real Estate, etc., and from the use and service accounts, such as Expense, Interest and Discount, Commission, etc. It is debited for the losses and credited for the gains, shown by these accounts. <sup>180</sup>The net gain or loss then shown by the difference indicates whether the business has been profitable or unprofitable to the proprietor or firm to which it belongs.

**181.** If there has been a net gain, there has been a corresponding *increase* in the net resources of the business, and consequently in the present net capital of the proprietor or firm.

**182.** If there has been a net loss, there has been a corresponding *decrease* in the net resources of the business, and consequently in the present worth of the proprietor or firm, as shown in their accounts at the last closing of the books.

**183.** This account, therefore, is closed into the account representing the ownership of the business when an individual or partnership concern. When a corporation, it is usually closed into a "Dividend" or "Undivided Profits" accounts, or both.

From the foregoing and from the General Law, we deduce the following for debiting and crediting.

\* Many bookkeepers, as well as most authors of works on the subject, have made the error of classing such articles of furniture as safes, desks, stoves, chairs, etc., with fixtures, under the title "Office Fixtures" or "Store and Office Fixtures." This they do in ignorance or disregard for the meaning of the term *fixtures*. While the original and essential idea of the term is not held to in law, there is no excuse for this disregard of its meaning as distinct from "furniture" in the common usage of the latter word.

† In some large establishments where the nature of the business requires a large outlay for furniture and fixtures it is sometimes desirable to keep two accounts, one for "Office Furniture and Fixtures," the other for "Store Furniture and Fixtures."

## LOSS AND GAIN.

**184. Debit Loss and Gain—**

- a. At time of closing the Ledger, debit this account for the amounts shown (in red ink) on the credit side of all accounts which close into "Loss & Gain," writing here (in black ink), (1) the amount, (2) the date, (3) the name, and (4) the page of the account transferred from.
- b. At any time in the course of business when there occurs a loss that is not chargeable to some other account, debit this account for it. (See Note 1, below.)

**185. Credit Loss and Gain—**

- c. At time of closing the Ledger, credit this account for the amounts shown (in red ink) on the debit side of all accounts which close into "Loss & Gain," writing here (in black ink), (1) the amount, (2) the date, (3) the name, and (4) the page of the account transferred from.
- d. At any time in the course of business when there occurs a gain that cannot be properly credited to some other account, credit this account for it. (See Note 2, below.)
- e. When anything previously debited to Loss and Gain produces value, credit this account or such value. (See Note 3, below.)

## SUMMARY.

**186. Debit—for all losses.**

- a. To close Loss and Gain when the credit side is the larger (showing an excess of gains), write on this side (in red ink), (1) the amount of the proprietor or each partner's net gain, (2) the date, and (3) the name and page of the account transferred to. Then rule as in other accounts, and transfer the net gain to the credit side of the proprietor or partner's account, writing there (in black ink) the amount of net gain, the date, the words "Loss & Gain," and the page of the account transferred from. (See <sup>186a</sup>, <sup>186b</sup>, and Note 4, below.)

**187. Credit—for all gains.**

- b. To close Loss and Gain when the debit side is the larger (showing an excess of losses), write on this side (in red ink), (1) the amount of the proprietor or each partner's net loss, (2) the date, and (3) the name and page of the account to be transferred to. Then rule and foot as in other accounts, and transfer the net loss to the debit side of the proprietor or partner's account, writing there (in black ink) the amount of net loss, the date, the words "Loss & Gain," and the page of the account transferred from. (See <sup>186a</sup>, <sup>186b</sup>, and Note 4, below.)

**188. The difference** between the two sides of Loss and Gain shows the net loss or net gain,—a net *loss* when the *debit* side is the larger, a net *gain* when the *credit* side is the larger. This net loss or net gain is closed into the proprietor's account, as described in <sup>186a</sup>, <sup>187b</sup>, or into the partner's accounts, as described in the following paragraph.

<sup>188a</sup>. In case of a partnership, the partners' names are written on the smaller side of Loss and Gain, each one's share of the net loss or net gain being transferred to his "Partner" account. If private accounts are kept with the partners (see 255), the word "Partner" should follow the name of each in the closing entries of Loss and Gain.

<sup>188b</sup>. In the case of a joint stock company or corporation, the net gain is closed into "Dividend" account or "Undivided Profits" account, or both (see 179); if the result is a net loss, it is closed either into "Undivided Profits," "Sinking Fund," or "Deficit" account, or brought down on the debit side of Loss and Gain in the same manner as an "Inventory."

The following Loss and Gain account is made up from the various examples of accounts showing losses and gains given on the preceding pages of this book.

**NOTE.**—The object in giving this account here is not merely to furnish an example (for the Loss and Gain account has already been illustrated, see page 17), but rather for the purpose of calling special attention to the significance of red ink entries and the rule concerning their transfer.

**NOTE 1.**—This applies chiefly to losses on the accounts of insolvent debtors at the time of final settlement. (See entry April 10, Set 3.) If the proprietor should lose cash, or any other thing of value belonging to the business, he may debit it to Loss and Gain, but properly he should charge it to his private account.

**NOTE 2.**—This entry is not likely to occur except on the books of an insolvent business. When a final settlement is made by paying to creditors a certain per cent. of their claims, the balance of the indebtedness should be credited to Loss and Gain.

**NOTE 3.**—As in the case of a subsequent payment by an insolvent debtor who has settled with his creditors at so much on the dollar, the balance of his account having been debited to Loss and Gain.

**NOTE 4.**—If a private account is kept with the proprietor, the closing entry in Loss and Gain to transfer the net loss or net gain to the proprietor's account should include the word "Proprietor" (or "Private") and his name, showing which account it is transferred to.

## Loss & Gain

|         |                  |    |        |         |              |    |        |
|---------|------------------|----|--------|---------|--------------|----|--------|
| Dec. 31 | Expense          | 41 | 44 50  | Dec. 31 | Merchandise  | 6  | 460    |
| 31      | Fur. & Fix.      | 46 | 40 71  | 31      | Real Estate  | 12 | 171    |
| 31      | Sam. Northington | 1  | 785 11 | 31      | Int. & Dist. | 44 | 77 12  |
|         |                  |    | 870 62 | 31      | Commission   | 45 | 162 50 |
|         |                  |    |        |         |              |    | 870 62 |

### ACCOUNTS SHOWING LOSSES OR GAINS.

|                                                                            |        |                                                                             |        |
|----------------------------------------------------------------------------|--------|-----------------------------------------------------------------------------|--------|
| Merchandise, page 6, gain (red ink entry on debit side), .....             | \$460. | Interest and Discount, page 44, gain (red ink entry on debit side), .....   | 77.12  |
| Property (Real Estate), page 12, gain (red ink entry on debit side), ..... | 171.   | Commission, page 45, gain (red ink entry on debit side), .....              | 162.50 |
| Expense, page 41, loss (red ink entry on credit side), .....               | 44.50  | Furniture and Fixtures, page 46, loss (red ink entry on credit side), ..... | 40.71  |

**QUESTION:** What effect does this result have on the proprietor's account? (See 181-182.)

**189.** Notice that the losses and gains shown by the examples above referred to are written on the smaller side of those accounts in red ink, but that they are written in black ink on the opposite side of the Loss and Gain account when transferred to it. <sup>189</sup>The reason for this is that the entry is made in red ink on the smaller side of an account to show conspicuously the amount it takes to equalize the two sides; or how much the losses or gains of the opposite side exceed the gains or losses of the side on which the red ink entry occurs. <sup>191</sup>Therefore, *the real loss or gain is found in the account on the side that is opposite the red ink entry.*

For example: The Expense account (page 41) exhibits a loss of \$44.50, the red ink entry on the credit side showing that the debits (losses) exceed the credits (gains) of Expense that amount. Hence, when this entry is transferred from the credit side of Expense, it is taken to Loss and Gain, and there written on the debit side (where it belongs) in black ink.

**192.** From the foregoing, we deduce the rule that,—*Amounts shown in red are always entered on the opposite side of the account to which they are transferred.*

### QUESTIONS.

- For what are property accounts debited and credited? <sup>188</sup>
- What does the difference show? <sup>189</sup>
- Is such an account as Real Estate often kept?
- What is the first step in closing the Ledger? <sup>184</sup>  
The second?
- What statements is it customary for bookkeepers to make? <sup>186</sup>
- How do you find the gain or loss on merchandise? On the investment?
- What is a personal account? <sup>188</sup> The object? <sup>189a</sup>
- For what are they debited and credited?
- What does the difference show? <sup>181</sup>
- When should a personal account be ruled up? <sup>181b</sup>
- What is a promissory note? <sup>185</sup>
- Who are the parties to a note? <sup>185b</sup>
- How are notes transferred? <sup>186</sup>
- What do we mean by maturity? <sup>187</sup> The time to run? <sup>187a</sup>
- When the time is indicated in days, what is meant? In months? <sup>187b</sup>
- If a note falls due on Sunday or a legal holiday, what is the custom? <sup>187c</sup>
- What are days of grace? <sup>188</sup>
- What is a draft? <sup>189</sup>
- Who are the original parties to a draft? <sup>189</sup>
- What are the different kinds of endorsements? <sup>189a</sup>
- How are drafts drawn as to time? <sup>189a</sup>
- What are Bills of Exchange? <sup>189</sup>
- What is an acceptance? <sup>189</sup>
- How are drafts accepted? <sup>189</sup>
- Are sight drafts accepted? <sup>189</sup>
- What term is applied to accepted drafts? <sup>189</sup>
- What is a Bills Receivable? <sup>189</sup> A Bills Payable? <sup>189</sup>
- What is a Bills Receivable account debited and credited for? <sup>189</sup>
- What does the difference show? <sup>189</sup>
- How are Bills Receivable checked? <sup>189b</sup>
- Are they ruled the same as other accounts? <sup>189c</sup>
- For what is Bills Payable account credited? <sup>189</sup>
- What does the difference show? <sup>189</sup>
- Bills Receivable and Bills Payable accounts represent what class of accounts? (See Note, p. 35.)

## TRANSACTIONS FOR PRACTICE.—SERIES 5, SET 1.

**Special Features.**—Continuation of Set 1, introducing the following new accounts: Expense, Interest and Discount, Furniture and Fixtures.

## BUSINESS MEMORANDA.

- Oct. 16, Bought bill of merchandise from the Duer Hardware Co. on account, \$1250.  
Received from G. B. Dean & Co. in full of account (108p) their draft on J. F. Wiggins, at 60 days' sight in our favor (136b) which has been accepted, \$43.98.  
Paid clerk's salaries in cash, \$75. (149b).
- 17, Sold Arthur Grayden merchandise on account, \$514.91.  
Bought bill of merchandise from Harold Wayne on account, \$1433.34.  
Bought fire-proof safe (175b) for cash, \$170.
- 18, Received from Arthur Grayden his note (136b) at 30 days with interest in payment of bills of Oct. 3 and 8, \$555.74 (108a).  
Paid for letter-paper and envelopes, \$6.50 (149a).  
Received cash for note due to-morrow,\* \$93.67 (137d).  
Paid taxes on Charles St. Building, \$35. (97c).
- 20, Sold Chas. F. Foster & Co. on account merchandise per bill, \$1764.97.  
Paid bill for books and stationery purchased at beginning of business, \$35. (149a).  
Paid note (142a) due to-day, \$200.  
Gave Harold Wayne (107e) our note at 30 days with interest (143d), in payment of bill of 17th, \$1433.34.  
Received cash for rent Charles St. Building, \$50.  
Paid for postage stamps, \$1. (149a).
- 21, Discounted note received from G. B. Dean & Co., dated Oct. 14, at First National Bank; face of note \$1000. (137e); discount received, 26 days, \$4.33 (160c); net proceeds received in cash, \$995.67 (70b).
- Oct. 21, Received from Chas. F. Foster & Co. on account, note made by Thos. Duncan & Co. at 60 days, in their favor, and which they have transferred to us by endorsement, \$1000. (136c) date of note, Oct. 18; discount for 60 days, \$10. (161k); net proceeds placed to credit of Foster & Co., \$990.
- 22, Bought rolling-top desk for office (175b), \$25. cash.
- 23, Prepaid our note in favor of Harold Wayne, given Oct. 10, less discount to maturity; face of note \$1162.23 (142a); discount 20 days, \$3.87 (161j); net proceeds paid in cash, \$1158.36.  
Bought merchandise from Harold Wayne for our note (143d) at 90 days, \$2347.13.
- 24, Bought revolving chair for office, (175b) \$10. cash.
- 25, Sold G. B. Dean & Co. on account merchandise, \$450.  
Paid for hauling goods from freight station, \$18. (79f).
- 27, G. B. Dean & Co. report that 3 brls. of flour we sold them on the 25th were badly damaged; we allow them a rebate of \$14. (79d-108r).  
Paid for advertising (149b) in daily papers, \$175.60.
- 29, Received from G. B. Dean & Co. cash in full of account, \$436.
- 30, The rent of room occupied by us in Charles St. Building since Sept. 15, (1½ mos.) amounts to \$75. (149b-98g).  
Sold Charles St. Building for \$4350. Received cash, \$3000. Note 60 days, \$1350. (70b and 136b-98f).

## FORM OF ENTRY.

|                        |                                     |     |       |
|------------------------|-------------------------------------|-----|-------|
| Cash,                  | Received net proceeds,              | 995 | 67    |
| Interest and Discount, | 26 days' discount,                  | 4   | 33    |
| Bills Receivable,      | G. B. Dean & Co.'s Note discounted, |     |       |
|                        |                                     |     | 1000. |

## INVENTORIES.

Merchandise on hand, . . \$4313.  
Furniture and Fixtures, . . 200.

Present your Journal for approval. When it is returned to you, attend first to any special instructions from the teacher, and then proceed with your work as outlined in the following paragraphs.

**193.** Post the Journal from Oct. 16 to 30 inclusive. Before beginning to post, however, read the next two paragraphs headed "Precautions" and "Remember."

**193a. Precautions.**—*First:* In making an entry in the Ledger, always enter the amount first according to 89. *Second:* After you have posted an item, look at it a second time in both books, comparing the amount as you have entered it in the Ledger with the amount in the Journal to see that you have it correct and on the proper side of the account,—*debits* on the *left*,—*credits* on the *right*. This latter may seem to you to be an unnecessary precaution; but experienced bookkeepers do not think so. They exercise it; and experience will teach you that it saves, in the long run, at least twice as much time as it takes.

\*See paragraphs 117c and 118b, page 33.

<sup>198b</sup>. **Remember**, first, that personal accounts are to be ruled whenever they balance. (This will occur in G. B. Dean & Co.'s account, Oct. 16 and 29; in Arthur Grayden's account, Oct. 18; in Harold Wayne's account, Oct. 20); second, that Bills Receivable and Bills Payable are to be checked whenever an amount is posted to the *credit* of the former or to the *debit* of the latter; third, that before taking a trial balance, you should rule these two accounts (by single lines across the money-columns) at the point where they last balanced.

<sup>198c</sup>. When you have finished posting, take a trial balance as heretofore, and present to the teacher for approval.

<sup>198d</sup>. Next proceed to close the losses and gains in the Ledger, as heretofore. Do not close the personal accounts and Bills Receivable and Bills Payable. Close Expense according to <sup>188a</sup>, Interest and Discount according to <sup>165a</sup>, Furniture and Fixtures according to <sup>177a</sup>, first entering Inventory according to <sup>176d</sup>.

**193 $\frac{1}{2}$** . When you have closed Loss and Gain according to 187, and brought down the net capital in your own account, present your books to the teacher for examination and approval. Follow his instructions in regard to your next work.

## PROPRIETOR'S AND PARTNER'S ACCOUNTS.

**194. The Proprietor's Account** (sometimes called "Stock Account," or simply "Stock," and which is illustrated as "Student" account, page 9) represents the owner's interest in the business.

**195 It shows** the amount of the resources (cash, property, and other things of value) invested by the proprietor, the liabilities (debts) assumed for him by the business, and his net capital\* at commencing. It also shows what he withdraws from the business, his additional investments, and at the time of closing, how much he has gained or lost, and his Net Capital or Net Insolvency.

**196. Capital** is the money or property, or assets of any kind invested in business.

**197. Net Capital** is the excess of the resources over liabilities at the time of closing the account. It is the difference between the two sides of the proprietor's account, when the credit side is the larger after he has been credited with his net gain or debited for his net loss.

**198. Net Insolvency** is an excess of liabilities over resources. It is the difference between the two sides of the proprietor's account when the debit side is the larger at the time of closing the account, after he has been credited with his net gain or debited with his net loss.

**199. Partner's Account.**—The foregoing statements concerning the Proprietor's account are equally true whether there be one proprietor or several. When two or more proprietors unite in conducting business, each contributing something for the purpose of making money, the union of capital, time, etc., is called a *firm* or *partnership*, and each proprietor or member of the firm is a partner. The business then has an account with each partner, and he is credited for his investments (what he gives to the business) and debited for his liabilities (debts) to be paid from the business, for his withdrawals (what he receives) from the business.

**200. Two Accounts.**—Usually the proprietor or each partner should have two accounts—one as an investment account showing his interest in the business and the other as a "private" or strictly personal account. In the investment accounts, only the larger or more permanent items invested or withdrawn are recorded, while the private account contains a record of the temporary dealings of the business with the proprietor or partner as a private person, such as small sums of money withdrawn, or goods taken from the store for private use. In the case of partners who are to receive salaries, these should be regularly credited on their private accounts.

**201.** The words "Proprietor" or "Partner" and "Private" should be used to distinguish between a proprietor's or partner's investment account and his private account. Thus, if John Smith is in business for himself, his investment account should be headed, "John Smith—Proprietor," and his private account, "John Smith—Private." If James Jones and Henry Brown are in business as partners, their investment accounts should be headed, "James Jones—Partner," "Henry Brown—Partner," and their private accounts, "James Jones—Private," "Henry Brown—Private."

**NOTE.**—Special information regarding the Capital Stock account, which represents the combined interests of stockholders in a corporation, will be found later in the work.

\*The difference between his resources and liabilities by the "First Method" (203-4), or the net investment by the "Second Method" (205-6).



From the foregoing and from the General Law (64-67), we deduce the following for debiting and crediting

### PROPRIETARY ACCOUNTS.

#### FIRST METHOD.

##### 203. *Debit*—the Proprietor or Partner.

- a. At beginning of business, for all liabilities (personal debts) to be paid for him from the business.
- b. For all withdrawals of capital (money or property) from the business, and for subsequent liabilities assumed by him.
- c. For his net loss, as shown by the Loss and Gain account when that account is closed
- d. For the debit excess of his private account, if such is kept (255).

##### 204. *Credit*—the Proprietor or Partner.

- e. At beginning of business, for investment of resources.
- f. For all subsequent investments.
- g. For his net gain, as shown by the Loss and Gain account, when that account is closed.
- h. For the credit excess of his private account, if such is kept (255).

#### SECOND METHOD

205. a. (Liabilities not shown here.)  
b, c and d. (Same as in First Method.)

206. e. At beginning of business, for his net investment, or net capital.  
f, g and h. (Same as in First Method.)

#### SUMMARY.

##### 207. *Debit*—the Receiver.

- a. To close a *Proprietary account* showing a *net capital*, write on this side (in red ink) the difference between the two sides of the account, the date, and the words "Net Capital." (See 209.)

##### 208. *Credit*—the Giver.

- b. To close a *Proprietary account* showing a *net insolvency*, write on this side (in red ink) the difference between the two sides of the account, the date, and the words "Net Insolvency." (See 209.)

**209. The difference** between the two sides of a proprietary account after the accounts affecting it have been closed into it shows the proprietor's or partner's Net Capital or Net Insolvency, —*Net Capital* when the credit side is the larger, *Net Insolvency* when the debit side is the larger.

#### EXAMPLES OF BUSINESS TRANSACTIONS AND PROPRIETARY ACCOUNT.

Study the following transactions, tracing the debits and credits, and looking up the references in parentheses, so as to become familiar with the principal rules for debiting and crediting Proprietary Accounts.

*William Worthington Proprietor.*

|         |             |         |         |             |
|---------|-------------|---------|---------|-------------|
| Jan. 15 |             | 50      | Jan. 1  | 4500        |
| May 20  |             | 250     | Apr. 1  | 1200        |
| Dec. 31 | Net Capital | 6685 41 | Sept. 1 | 500         |
|         |             |         | Dec. 31 | Loss & Gain |
|         |             |         |         | 37          |
|         |             |         |         | 6725 41     |
|         |             |         |         | 6785 41     |
|         |             |         | Jan. 1  | Net Capital |
|         |             |         |         | 6685 41     |

#### TRANSACTIONS FOR EXAMPLE.

- Jan. 1, The proprietor commenced business with cash investment of (204e) ..... \$4500.  
15, He withdrew cash from the business (203b) ..... 50.  
April 1, He invested cash (204f) ..... 1200.

- May 20, He withdrew cash from the business ..... 250.  
Sept. 1, He invested cash ..... 500.  
Dec. 31, At the time of closing his books showed a net gain of (204g) ..... 785.41

**Results Shown.**—Present Net Capital \$6685.41.

## TRANSACTIONS FOR PRACTICE.—SERIES 6, SET 1.

**Special Features.**—Continuation of the business, introducing the Commission account, Illustration showing the forwarding of the Merchandise account; Disposal of the entire stock of goods and furniture and fixtures on hand; Closing the books with but one resource, the cash on hand, which equals the net capital of the proprietor.

Enter the following transactions in your Journal immediately following the last entry in October.

## BUSINESS MEMORANDA.

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Nov. 1, Transferred acceptance received Oct. 16 by endorsement to Duer Hardware Co. on account, less discount to maturity; face of acceptance, \$43.98 (137f); discount 45 days, \$.33 (160e); net proceeds charged to their account, \$43.65 (107h).<br/>Paid salaries to date, \$75.</p> <p>3, Sold Arthur Grayden on account merchandise, \$1643.84.<br/>Received draft in our favor from Chas. F. Foster &amp; Co. (108p) in full of account, accepted by M. Grace &amp; Co. at 15 days' sight (136b), \$659.97.</p> <p>5, Paid one month's rent in advance, \$60. (149b).<br/>Received from Arthur Grayden (110) in payment of bill of Oct. 17, cash, \$214.91, and note at 30 days, \$300. (136b).</p> <p>6, Bought from Harold Wayne on account merchandise, per invoice, \$641.90.<br/>Received cash commission (168e) from Duer Hardware Co. for securing order for bill of chandellers for a new building, \$43.50.<br/>Paid for hauling away damaged goods \$3.65 (149b).</p> <p>9, Cash sales of merchandise per cash drawer, \$61.32.</p> <p>11, Paid our note given Oct. 23, less discount to maturity; face of note, \$2347.13 (142a); discount 76 days, \$29.73 (161f); net proceeds paid in cash, \$2317.40.<br/>Paid for two tons coal, \$13.50 (149a).</p> <p>15, Sold Duer Hardware Co. on account merchandise, \$434.12.<br/>Sundry sales of merchandise per cash drawer, \$1152.17.</p> <p>17, Received cash from Arthur Grayden for his note of Nov. 5 less discount to maturity;</p> | <p>face of note, 300 (137d); discount 16 days, 80¢. (160d); net proceeds received in cash, \$299.20.</p> <p>Nov. 20, Paid Duer Hardware Co. cash on account \$250.<br/>Received cash in payment of note with interest, received Oct. 18; face of note, \$555.74 (137d); interest 33 days, \$3.06 (161h); total amount of cash received, \$558.80.</p> <p>21, Received cash for note due to-day, \$659.97.</p> <p>22, Paid our note of Oct. 20 with interest due to-day; face of note, \$1433.34 (142a); interest 33 days, \$7.88 (160b); amount paid in cash, \$1441.22.<br/>Sundry sales of merchandise per cash drawer, \$536.</p> <p>24, Paid cash to Duer Hardware Co. in full of account, \$522.23.<br/>Discounted Note received Oct. 21 at bank; face of note, \$1000 (137e); discount 26 days, \$4.33 (160c); net proceeds received in cash, \$995.67.</p> <p>28, Discounted note at bank; note received Oct. 30; face of note, \$1350 (139); discount 34 days, \$7.20 (162); net proceeds received in cash, \$1342.80.</p> <p>29, Cash sales per cash drawer, \$185.<br/>Paid clerk salaries to-day, \$65.<br/>Sold entire stock of goods on hand at "Inventory" price for cash to J. G. Johnson &amp; Co., who will continue the business, \$1538.43.<br/>Sold them safe, desk, and office-chair for \$170. (176c).</p> <p>30, Received cash from Arthur Grayden in full of account, \$1643.84.<br/>Paid cash to Harold Wayne in full of account, \$641.90.</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

*Read the note below before you begin to post.*

When you have entered the above transactions in the Journal, post to the Ledger. Take a trial balance, close the Ledger. Before proceeding to do so, however, read paragraphs 193-193c, pages 49 and 50, then rule up all accounts that balance in the Ledger. You will find that all the accounts balance except the Cash account, the Proprietor's account, and those accounts which close into the Loss and Gain account.

After you have made a Trial Balance and closed the Ledger, present your books to your teacher. Be prepared at any time to answer the "Questions" which are given on the next page.

**NOTE.**—After you post the credit item of \$61.32 on Nov. 9 to credit of Merchandise account, forward the Merchandise account to a new page, by footing and rulling the account as shown on the opposite page. Write the same explanation in the new account, but insert the page (3) of the old account in the page column in the new account, i. e. the page the account was transferred from.

## QUESTIONS

1. What does the proprietor's account represent? <sup>194</sup>
2. What does it show? <sup>195</sup>
3. What is capital? <sup>196</sup>
4. What is meant by net capital? <sup>197</sup>
5. What is meant by net insolvency? <sup>198</sup>
6. Are partner's accounts kept different from a single proprietor's account? <sup>199</sup>
7. Why should two accounts be kept with the proprietor or partner? <sup>200</sup>
8. How are these accounts distinguished? <sup>201</sup>
9. For what are proprietor's accounts debited? <sup>202</sup>
10. For what are they credited? <sup>203</sup>
11. What does the difference show? <sup>204</sup>
12. How are they closed? <sup>205a, 205b</sup>

| <i>Merchandise</i> |           |                        |                |                 |              |           |                  |
|--------------------|-----------|------------------------|----------------|-----------------|--------------|-----------|------------------|
| <i>Sept.</i>       | <i>26</i> |                        | <i>5</i>       | <i>2771.25</i>  | <i>Sept.</i> | <i>22</i> | <i>4</i>         |
|                    |           |                        | <i>3365.15</i> |                 |              |           | <i>128.37</i>    |
|                    | <i>30</i> | <i>Loss &amp; Gain</i> | <i>6</i>       | <i>15332.45</i> |              | <i>24</i> | <i>4</i>         |
|                    |           |                        |                |                 |              |           | <i>104.37</i>    |
|                    |           |                        |                |                 |              | <i>26</i> | <i>5</i>         |
|                    |           |                        |                |                 |              |           | <i>343.94</i>    |
|                    |           |                        |                |                 |              | <i>27</i> | <i>5</i>         |
|                    |           |                        |                |                 |              |           | <i>1479.77</i>   |
|                    |           |                        |                |                 |              | <i>30</i> | <i>Inventory</i> |
|                    |           |                        |                |                 |              |           | <i>3489.60</i>   |
|                    |           |                        |                | <i>3836.30</i>  |              |           | <i>3836.30</i>   |
| <i>Oct.</i>        | <i>1</i>  | <i>Inventory</i>       | <i>5</i>       | <i>409.60</i>   | <i>Oct.</i>  | <i>1</i>  | <i>5</i>         |
|                    | <i>1</i>  |                        | <i>5</i>       | <i>1345.18</i>  |              | <i>2</i>  | <i>5</i>         |
|                    | <i>3</i>  |                        | <i>5</i>       | <i>1742</i>     |              | <i>2</i>  | <i>5</i>         |
|                    | <i>6</i>  |                        | <i>6</i>       | <i>315</i>      |              | <i>3</i>  | <i>5</i>         |
|                    | <i>13</i> |                        | <i>7</i>       | <i>232.16</i>   |              | <i>3</i>  | <i>5</i>         |
|                    |           |                        |                |                 |              | <i>8</i>  | <i>6</i>         |
|                    |           |                        |                |                 |              |           | <i>113.25</i>    |
|                    |           |                        |                |                 |              | <i>15</i> | <i>Inventory</i> |
|                    |           |                        |                |                 |              |           | <i>1582.64</i>   |
| <i>Oct.</i>        | <i>16</i> | <i>Inventory</i>       | <i>7</i>       | <i>1250</i>     | <i>Oct.</i>  | <i>17</i> | <i>7</i>         |
|                    | <i>16</i> |                        | <i>7</i>       | <i>1433.34</i>  |              | <i>20</i> | <i>8</i>         |
|                    | <i>17</i> |                        | <i>9</i>       | <i>2347.13</i>  |              | <i>25</i> | <i>9</i>         |
|                    | <i>23</i> |                        | <i>9</i>       | <i>18</i>       |              | <i>30</i> | <i>Inventory</i> |
|                    | <i>25</i> |                        | <i>9</i>       | <i>666.44</i>   |              |           | <i>4313.22</i>   |
|                    | <i>27</i> |                        | <i>6</i>       | <i>1542.99</i>  |              |           |                  |
|                    | <i>30</i> | <i>Loss &amp; Gain</i> | <i>10</i>      | <i>641.90</i>   |              |           |                  |
| <i>Nov.</i>        | <i>1</i>  | <i>Inventory</i>       | <i>17</i>      | <i>4954.90</i>  | <i>Nov.</i>  | <i>1</i>  | <i>9</i>         |
|                    | <i>6</i>  |                        |                |                 |              | <i>9</i>  | <i>10</i>        |
|                    | <i>9</i>  | <i>Forwarded</i>       |                |                 |              |           | <i>61.32</i>     |
|                    |           |                        |                |                 |              | <i>17</i> | <i>Forwarded</i> |
|                    |           |                        |                |                 |              |           | <i>1705.16</i>   |

**210.** The above illustration shows the Merchandise account as it appears in your Ledger from September 26 to November 9. The purpose mainly is to show you the manner in which the account is forwarded to a new page. Incidentally, however, it is intended to illustrate the different styles of ruling that have lately been adopted by progressive bookkeepers. It will be observed that in the first closing of the account, September 30, but a single line appears in ruling the final closing lines, where you have been accustomed to rule double lines. At the closing, October 15 and 30, these closing lines are entirely omitted, and nothing but the adding line is used. All the closing entries and the rulings are in black.

Where students so desire they may adopt either of these styles of rulings in their books, but only after securing the consent of the teacher.

## SET 2.

## GENERAL MERCHANDISING BUSINESS.

H. M. GRAYSON, PROPRIETOR.

**Special Features.**—Introduction of the Day-book, or Blotter, Script illustrations of the Blotter, Journal, Checks and Bills. Further practice in the principles contained in Set 1.

**Books Used.**—Journal and Ledger.

## THE DAY-BOOK (OR BLOTTER).

**211.** The "Business Memoranda" for this set is presented to you in the form of a Day-book, or Blotter, as it is commonly called (see 50), one page of which has been written up to show how the record is made in it.

**211a.** This book is sometimes used where there are only a few transactions that do not occupy the entire time of the bookkeeper, the purpose being to assist the bookkeeper in making the proper entries from the bills, notes, drafts, receipts and other vouchers received and issued in the course of the day's business, and which ordinarily constitute the only data from which the record is made in the Journal.

**211b.** The Blotter is not to be written up in this set.

**212. Journalizing.**—Deciding and indicating the accounts which are to be debited and the accounts which are to be credited is called *journalizing*; and that part of the record that shows the accounts thus affected is called the Journal entry. (See 85.) A book containing only Journal entries is seldom used in modern business houses, as it is generally combined in some form or other with the Day-book. In the form shown on page 56, the Journal entry comes first, and the explanation or Day-book entry after it.

## INSTRUCTIONS FOR WRITING SET 2.

1. Journalize the transactions with pencil on billcap or other paper and present to your teacher for correction and approval.

2. You will now write in the Journal a record of the transactions from Jan. 1st to 15th. The first entry made in the books, showing the Proprietor's investment in the business, does not appear in the Blotter, but is entered directly in the Journal. (See first entry, page 56.)

3. Be exceedingly careful as to the form of your Journal entry. Give close attention to the proper position of the items, as indicated in the illustration shown (page 56). Observe that each debit and credit is explained fully on the same or the next succeeding lines in the explanation column.

4. Before recording a transaction, ask yourself two questions concerning it: (1) What accounts are affected by this transaction? (2) How are they affected? that is, Which account is debited, and which credited? or, in other words, What is received and what given? or, What costs value and what produces value in this transaction? If you will form the habit of asking and answering these questions for yourself, each time you have a transaction to record, your success in mastering the principles of accounting is assured.

5. Always select the debits first, then the credits. Refer to the law which governs in each particular case as indicated, until you become thoroughly familiar with that law and will recognize its application in the next similar debit or credit which may be presented. As soon as possible, dispense with the special laws coming under the heads of the different accounts, and apply the General Law of debits and credits. (See 64-67.) This General Law, when understood, may be applied to every transaction that can occur in business. Never pass over an entry until you so thoroughly understand it that you can make a correct entry for any like transaction thereafter.

BLOTTER.

Jan. 2.1

|   |   |                                                       |        |        |  |        |
|---|---|-------------------------------------------------------|--------|--------|--|--------|
| ✓ | ✓ | Bot from James Harris for Cash                        |        |        |  |        |
|   |   | 100 bbls. Mess Pork                                   | 9.50   |        |  | 950    |
|   |   |                                                       |        |        |  |        |
|   |   | 3                                                     |        |        |  |        |
|   |   | Bot from Henry Smith on a/c 43 5 <sup>th</sup> Jan    |        |        |  |        |
|   |   | 1000 bu Wheat                                         | 90¢    | 900    |  |        |
| ✓ | ✓ | 800 " Oats                                            | 35¢    | 280    |  |        |
|   |   | 500 " Corn                                            | 40¢    | 200    |  | 1380   |
|   |   |                                                       |        |        |  |        |
|   |   | 4                                                     |        |        |  |        |
|   |   | Sold H.A. Goodman for cash                            |        |        |  |        |
| ✓ | ✓ | 15 bbls M Pork                                        | 10     | 150    |  |        |
|   |   | 150 bus Corn                                          | 45     | 67 50  |  |        |
|   |   | 320 " Oats                                            | 27     | 118 40 |  | 335 90 |
|   |   |                                                       |        |        |  |        |
|   |   | 5                                                     |        |        |  |        |
|   |   | Sold Wm Wright on a/c 490 Penn Ave                    |        |        |  |        |
| ✓ | ✓ | 850 bu Wheat                                          | 98¢    | 843    |  |        |
|   |   | 60 bbls M. Pork                                       | 9.85   | 591    |  | 934    |
|   |   |                                                       |        |        |  |        |
|   |   | 6                                                     |        |        |  |        |
|   |   | Bot from Wells & Ray for cash                         |        |        |  |        |
| ✓ | ✓ | 900 # chuse                                           | 94¢    | 8550   |  |        |
|   |   | 75 bbls Flour                                         | 57¢    | 431 25 |  | 516 75 |
|   |   |                                                       |        |        |  |        |
|   |   | "                                                     |        |        |  |        |
| ✓ | ✓ | Paid Cash for set of books and stationery             |        |        |  |        |
|   |   | purchased in commencing business.                     |        |        |  | 32 50  |
|   |   |                                                       |        |        |  |        |
|   |   | 8                                                     |        |        |  |        |
| ✓ | ✓ | Recd Cash from Wm Wright                              |        |        |  |        |
|   |   | to apply on a/c                                       |        |        |  | 300    |
|   |   |                                                       |        |        |  |        |
|   |   | "                                                     |        |        |  |        |
| ✓ | ✓ | Sold B.W. Russell & Co on a/c 309 4 <sup>th</sup> Jan |        |        |  |        |
|   |   | 225 bu Wheat                                          | 1.02   | 229 50 |  |        |
|   |   | 175 " Oats                                            | .39    | 68 25  |  |        |
|   |   | 155 # chuse                                           | .11    | 17 05  |  | 314 80 |
|   |   |                                                       |        |        |  |        |
|   |   | 9                                                     |        |        |  |        |
| ✓ | ✓ | Paid cash to Henry Smith in part                      |        |        |  |        |
|   |   | payment for bill of Jan 3 <sup>rd</sup>               |        |        |  | 450    |
|   |   |                                                       |        |        |  |        |
|   |   | 10                                                    |        |        |  |        |
| ✓ | ✓ | Bot from J. Munbrough & Co, on a/c, Wood St           |        |        |  |        |
|   |   | 2000 # Raw Coffee                                     | 13¢    | 260    |  |        |
|   |   | 20000 # L. Sugar                                      | 6 1/4¢ | 1250   |  | 1270   |

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|                      |                                        |        |        |
|----------------------|----------------------------------------|--------|--------|
| Cash                 | Invested Cash in                       | 4000   |        |
| N. M. Grayson        | business                               |        | 4000   |
|                      | 2                                      |        |        |
| Madse.               | Bot. from James Harris for Cash        | 950    |        |
| Cash                 | 36 Eighth St. per bill                 |        | 950    |
|                      | 3                                      |        |        |
| Madse.               | Bot. from Henry Smith on a/c.          | 1380   |        |
| Henry Smith          | 47 Third Ave. per bill                 |        | 1380   |
|                      | 4                                      |        |        |
| Cash                 | Sold N. A. Goodman for Cash            | 335 90 |        |
| Madse.               | Market St.                             |        | 335 90 |
|                      | 15 bbls. M. Pork 10. 150.              |        |        |
|                      | 150 bu. Corn .45 67.50                 |        |        |
|                      | 320 " Oats .37 118.40                  |        |        |
|                      | 5                                      |        |        |
| Wm. Wright           | Sold Wm. Wright, on a/c.               | 934    |        |
| Madse.               | 407 Penn. Ave.                         |        | 934    |
|                      | 350 bu. Wheat .98 343.                 |        |        |
|                      | 60 bbls. M. Pork 9.85 591.             |        |        |
|                      | 6                                      |        |        |
| Madse.               | Bot. of Wells & Ray for Cash           | 516 75 |        |
| Cash                 | per bill                               |        | 516 75 |
|                      | 6                                      |        |        |
| Expense              | Paid Cash for set of books             | 32 50  |        |
| Cash                 | and stationery                         |        | 32 50  |
|                      | 8                                      |        |        |
| Cash.                | Recd. Cash from Wm. Wright             | 300    |        |
| Wm. Wright           | to apply on a/c.                       |        | 300    |
|                      | 8                                      |        |        |
| C. M. Russell & Co.  | Sold C. M. Russell & Co. on a/c.       | 314 80 |        |
| Madse.               | 300 Fourth Ave.                        |        | 314 80 |
|                      | 22.5 bu. Wheat 1.02 229.50             |        |        |
|                      | 175 " Oats .39 68.25                   |        |        |
|                      | 155# Cheese .11 17.05                  |        |        |
|                      | 9                                      |        |        |
| Henry Smith          | Paid Henry Smith Cash in               | 450    |        |
| Cash                 | part payment bill of 3d. inst.         |        | 450    |
|                      | 10                                     |        |        |
| Madse.               | Bot. from J. A. Amstrong & Co. on a/c. | 1510   |        |
| J. A. Amstrong & Co. | 116 Market St. per bill                |        | 1510   |

## BUSINESS MEMORANDA, JANUARY,

- 70a, 204e 1, H. M. Grayson invested cash in business, \$4000.  
 81, 73 2, Bought from James Harris for cash, 86 Eighth St., 100 brls. Mess Pork, \$9.50, \$950.  
 81, 108e 3, Bought from Henry Smith on %, 47 Third Ave., 1000 bu. Wheat, 90¢, \$900.; 800 bu. Oats, 85¢, \$280.; 500 bu. Corn, 40¢, \$200. Total, \$1380.  
 72, 82 4, Sold H. A. Goodman for cash, Market St., 15 brls. Mess Pork, \$10, \$150; 150 bu. Corn, 45¢, \$67.50; 820 bu. Oats, 87¢, \$118.40. Total, \$335.90.  
 107b, 82 5, Sold Wm. Wright on %, 407 Penn. Ave., 850 bu. Wheat, 98¢, \$848.; 60 brls. Mess Pork, \$9.85, \$591. Total, \$984.  
 See Jan. 2 6, Bought from Wells & Ray for cash, 900# Cheese, 9¼¢, \$85.50; 75 brls. Flour, \$5.75, \$431.25. Total, \$516.75.  
 151 Paid cash for set of Books and Stationery purchased on commencing business, \$32.50.  
 72, 65e 8, Received cash from Wm. Wright to apply on %, \$300.  
 See Jan. 5 Sold C. M. Russell & Co. on %, 800 Fourth Ave., 225 bu. Wheat, \$1.02, \$229.50; 175 bu. Oats, 89¢, \$68.25; 155 lbs. Cheese, 11¢, \$17.05. Total, \$314.80.  
 64a, 73 9, Paid cash to Henry Smith in part payment of bill of 8d inst., \$450.  
 See Jan. 8 10, Bought from J. A. Amsbaugh & Co. on %, 116 Market St., 2000# Rio Coffee, 18¢, \$260.; 20000# Sugar, 6¼¢, \$1250. Total, \$1510.  
 11, Sold Chas. P. Wilson & Co. on %, 412 Wood St., 25 brls. Mess Pork, \$10.80, \$257.50; 200 bu. Wheat, \$1.08, \$206.; 446# Cheese, 10¼¢, \$46.88; 20 brls. Flour, \$6.10, \$122. Total, \$633.88.  
 12, Received cash from C. M. Russell & Co. to apply on %, \$150.  
 18, Sold Harry Arnold & Co. on %, 40 brls. Flour, \$6.08, \$243.20; 299# Cheese, 11¢, \$32.89; 800# Rio Coffee, 14¢, \$112. Total, \$388.09.  
 151 15, Paid Cash for rent of building for January, \$50.

## POSTING AND TAKING TRIAL BALANCE.

When the Journal is completed to Jan. 15, post the items to the Ledger, opening new accounts, as this is a new business. Allow one-half page each for all accounts. Open H. M. Grayson's account on the first vacant page and the other accounts on each succeeding page in the order in which they occur in the Journal.

## POSTING.

214. In business, each day's transactions are posted daily, and should never be allowed to run behind for the reason that all items should appear promptly in the Ledger, so that in case an account is settled nothing will be omitted. Procrastination is the besetting sin of bookkeepers, and you should guard against it. Delay means confusion, tends to increase errors, and will ultimately add largely to the labor of the accountant. Accustom yourself to promptness, and complete each day's business, so that you can begin the new day's work with a clean sheet.\*

## CHECKING.

215. After you have finished posting, your next step is to check your postings, preparatory to taking a trial balance. We wish to impress upon you the importance of carefully checking every item posted before attempting to take off a trial balance. Too often bookkeepers check only when they are compelled to do so, in order to discover an error; they thus lose much valuable time at the end of the month, just when it can least be spared, and when it should be employed in getting off the monthly statements.

215a. In business, each day's entries should be checked as well as posted, not later than the day following that on which it was transacted. A simple and effective method is to check each item in the Ledger thus (.), with a pencil on the double line just to the left of the amount, then check in the book from which it is posted thus (✓). Check the items in the order in which they occur in the book from which they are posted. Do not check an amount that was checked previously or that remains unchecked; either indicates an error.

215b. When you wish to correct an entry, do not attempt to erase it. *Never scratch.* Rule a small red line through the amount only, and make the correct entry.

After you have carefully checked the posting, as explained above, proceed to take a trial balance. When that is completed, you are ready to make out a balance-sheet.

\*It is the general custom in business houses to post all entries to the Ledger on the next business day following that on which the transaction was entered in the different books of original entry. The entries made in the Journal, Cash-book, Sales-book, etc., are posted on the morning following the day on which they are entered. Usually they cannot be posted on the same day as the transaction occurred, because there is not sufficient time at the close of business to do so.

## BALANCE SHEET.

**216. The Balance Sheet** is a statement showing the condition of the business, and is usually made out preparatory to closing the Ledger. It is made up from the debits and credits of the accounts in the Ledger, as shown by the Trial Balance, combined with any Inventories belonging to the business.

<sup>216a.</sup> **The Object**, which is identical with that of closing the Ledger, is to show the Resources and Liabilities, and the Gains and the Losses, and from these to learn the true condition of the business, whether profitable or unprofitable from the time of the last closing of the Ledger. The Balance Sheet, however, should always be made out before the Ledger is closed, and is then used as a guide in closing it.

**NOTE.**—As prepared by the practical bookkeeper, the Balance Sheet seldom contains all the debit and credit footings shown in the Ledger. All the debit balances of the personal accounts are shown in one amount and appear on the Balance Sheet as "Personal Accounts Dr."\* "Personal Accounts Cr."\* are treated in the same way. All the accounts, however, showing gains and losses should appear separately on the Balance Sheet showing the footings, so as to indicate on its face the different sources of the losses and gains of the business.

<sup>216b.</sup> In the first sets, all accounts that do not balance will be exhibited in the Balance Sheet, but in the larger sets later on, you will be instructed how to condense the personal accounts, as suggested in the Note above.

<sup>216c.</sup> In personal accounts and all others that do not show a loss or gain, only the balances should appear; that is, the excess of debits or credits.

<sup>216d.</sup> In a Balance Sheet, and also in a trial balance, the footings of each side of all accounts showing losses or gains should appear. The reason is, that the calculations required by business men in determining the percentages of losses or gains can be made only upon the footings of the accounts.

**PRINCIPLES INVOLVED IN A BALANCE SHEET.**

**217.** Accounts always show one or more of four definite results, known as a Resource, a Liability, a Loss, or a Gain. They may be divided into two general classes: those showing Resources and Liabilities, and those showing Losses and Gains. You are already familiar with these terms. Your attention is called especially to the following principles which are involved in the making out of a Balance Sheet.

<sup>217a.</sup> First: When the sum of the resources is larger than the sum of the liabilities, the difference is the net capital of the business, and must equal the credit balance shown by the proprietor's account when closed.

<sup>217b.</sup> Second: When the sum of the liabilities is larger than the sum of the resources, the difference is the net insolvency of the business, and must equal the debit balance shown by the proprietor's account when closed.

<sup>217c.</sup> Third: All resources are debits, and are invariably found on the debit side of the Ledger. All liabilities are credits, and are invariably found on the credit side of the Ledger.

<sup>217d.</sup> Fourth: Losses occur in business when the value received is less than the cost of the value given, and when the value of property decreases while in our possession.

<sup>217e.</sup> Fifth: Gains occur in business when the value received is greater than the cost of the value given, and when the value of property increases while in our possession.

<sup>217f.</sup> Sixth: Losses are always found on the debit side of the Ledger, and gains on the credit side. The difference between the total gains and total losses is the net gain or net loss.

<sup>217g.</sup> Seventh: The sources of losses and gains are indicated by the titles of the different accounts under which they are kept; such as Expense account, Interest and Discount account, Commission, etc.

<sup>217h.</sup> Eighth: Losses always result in a decrease in the resources or an increase in the liabilities; gains result in an increase in the resources or a decrease in the liabilities.

The foregoing Eight Principles of the Balance Sheet are based upon the following fundamental principles, which are in perfect harmony with the General Law of debits and credits. (See 64-67.)

*Debit Principle.*

**218.** WHENEVER WE DEBIT AN ACCOUNT, IT EITHER INCREASES OUR RESOURCES OR OUR LOSSES, OR DECREASES OUR LIABILITIES.

*Credit Principle.*

**219.** WHENEVER WE CREDIT AN ACCOUNT, IT EITHER INCREASES OUR LIABILITIES OR OUR GAINS, OR DECREASES OUR RESOURCES.

\* Or "Accounts Receivable" and "Accounts Payable."



## INVENTORIES.

**220.** Inventories generally consist of property on hand, such as merchandise, real estate, debts owed to us, etc.; but an inventory may also consist of a debt owed by us, such as accrued interest, unpaid rent, commission, etc., and thus represent either a resource or a liability. These latter inventories are frequently overlooked by the bookkeeper and firm at the closing of the books. The consequence is that the results shown by the Balance Sheet when the Ledger is closed, are not accurate. As you proceed in your work, your attention will be called to the different kinds of inventories to be encountered.

**220a.** A Merchandise inventory is generally estimated at the cost of the goods on hand. Sometimes a per cent. off is allowed on the inventory, for the depreciation of the stock from shop wear.

**220b.** Real estate, stocks, bonds and other forms of property are usually inventoried at their estimated or market value.

**220c.** In manufacturing establishments, machinery, implements, etc., if kept in perfect repair, may be inventoried at the cost price; but if there has been a depreciation in the value, a certain per cent. is generally allowed each year, off the cost price. The judgment of the proprietor or manager must be exercised in this matter.

### MERCHANDISE INVENTORY, JANUARY 15,

|                                             |       |                  |
|---------------------------------------------|-------|------------------|
| 225 bu. Wheat, . . . . .                    | .90,  | \$202.50         |
| 804 bu. Oats (shortage 1 bushel), . . . . . | .85,  | 106.40           |
| 350 bu. Corn, . . . . .                     | .40,  | 140.             |
| 15 bbls. Flour, . . . . .                   | 5.75, | 86.25            |
| 1200 lbs. Coffee, . . . . .                 | .18,  | 156.             |
| 20000 lbs. Sugar, . . . . .                 | .06½, | 1250.            |
|                                             |       | <u>\$1941.15</u> |

**221.** The net gain or loss in any account having an "Inventory," is found by adding the inventory to the total sales and finding the difference between that amount and the purchases. The same result will be found by subtracting the amount of the inventory from the purchases, and then finding the difference between the remainder and the total sales. While the first method is the more practical, the latter is more philosophical. The two methods are here illustrated, taking the Merchandise account, Jan. 15, as an example.

| FIRST METHOD.              |  |                |                | SECOND METHOD.            |  |                |          |
|----------------------------|--|----------------|----------------|---------------------------|--|----------------|----------|
| Total sales, . . . . .     |  | \$2605.12      |                | Total sales, . . . . .    |  | \$2605.12      |          |
| Inventory added, . . . . . |  | <u>1941.15</u> | 4546.27        | Purchases, . . . . .      |  | 4356.75        |          |
| Less purchases, . . . . .  |  |                | <u>4356.75</u> | Less Inventory, . . . . . |  | <u>1941.15</u> | 2415.60  |
| Net gain, . . . . .        |  |                | \$189.52       | Net gain, . . . . .       |  |                | \$189.52 |

## BUSINESS MAN'S QUESTIONS.

1. What was our gain or loss per cent. on Merchandise?
2. What was our gain or loss on other accounts? \*
3. What was the gain or loss per cent. on investment? †
4. What is the amount of cash, notes, and other available assets on hand? ‡
5. What other assets have we on hand that are not immediately available? State what they are, and when they are available. §
6. What is the total amount of liabilities that are immediately due? State in detail.
7. Have we been doing a paying business? State your reasons. ||

\* This includes Property, and other similar accounts with which you may have special dealings.

† This means on the single proprietor or on each partner's investment.

‡ By this is meant all personal accounts, securities, or other property you may have on hand that can at once be turned into money and be made available for immediate use.

§ This refers to such accounts as are not due or cannot be collected, and such property, notes, etc., as could not readily be disposed of.

|| The answer to this question will exercise the judgment of the bookkeeper to a large extent. Where large investments are made, and no interest is charged for the use of the capital, it is well to deduct 6 per cent. on the capital from the net profits of the business. There should remain such a percentage as would be a reasonable remuneration for the risk taken. Some businesses are especially hazardous, and, therefore, to represent a paying investment should show a greater gain per cent. By careful attention to the answer to this question, much valuable information may be gathered by the student as he proceeds in his work.

# Balance Sheet. H. M. Grayson, Jan. 15.

|    |                                                                                                                                 | Debits             | Credits            | Losses            | Gains             | Resources          | Liabilities        |
|----|---------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| 19 | H. M. Grayson, Crpt                                                                                                             |                    | 4000               |                   |                   |                    |                    |
| 20 | Cash                                                                                                                            | 2786 65            |                    |                   |                   | 2786 65            |                    |
| 21 | Mdse. Invt. 1921.12                                                                                                             | 4356 75            | 2605 12            |                   | 189 52            | 1941 15            |                    |
| 22 | Henry Smith                                                                                                                     |                    | 930                |                   |                   |                    | 930                |
| 22 | William Wright                                                                                                                  | 634                |                    |                   |                   | 634                |                    |
| 23 | Expense                                                                                                                         | 82 50              |                    | 82 50             |                   |                    |                    |
| 23 | C. M. Russell v. Co.                                                                                                            | 164 80             |                    |                   |                   | 164 80             |                    |
| 24 | J. A. Amstrong v. Co.                                                                                                           |                    | 1510               |                   |                   |                    | 1510               |
| 24 | Chas. A. Wilson v. Co.                                                                                                          | 632 33             |                    |                   |                   | 632 33             |                    |
| 25 | Harry Arnold v. Co.                                                                                                             | 388 09             |                    |                   |                   | 388 09             |                    |
|    |                                                                                                                                 | <del>8245 12</del> | <del>2605 12</del> | <del>82 50</del>  | <del>189 52</del> | <del>6547 92</del> | <del>2440</del>    |
|    | H. M. Grayson's Net Gain                                                                                                        |                    |                    | 107 02            |                   |                    |                    |
|    |                                                                                                                                 |                    |                    | <del>182 52</del> | <del>182 52</del> |                    |                    |
|    | H. M. Grayson's Net Capital 4000                                                                                                |                    |                    |                   |                   |                    |                    |
|    | Add Net Gain                                                                                                                    |                    | 107 02             |                   |                   |                    |                    |
|    | Present Net Capital                                                                                                             |                    |                    |                   |                   |                    | 4107 02            |
|    |                                                                                                                                 |                    |                    |                   |                   | <del>6547 92</del> | <del>6547 92</del> |
|    | Answers to Business Man's Questions                                                                                             |                    |                    |                   |                   |                    |                    |
|    | Gain % on Mdse.                                                                                                                 |                    | 7.51               |                   |                   |                    |                    |
|    | " " Investment                                                                                                                  |                    | 2.67               |                   |                   |                    |                    |
|    | Available Assets                                                                                                                | 4603 87            |                    |                   |                   |                    |                    |
|    | Liabilities due                                                                                                                 | 2440               |                    |                   |                   |                    |                    |
|    | No. The gain per cent. on Mdse. or Investment is not enough to justify a continuance of the business at the same rate of profit |                    |                    |                   |                   |                    |                    |

## GUIDE FOR MAKING BALANCE SHEET, JANUARY 15.

**222.** Enter the names of the accounts from the trial balance, and the amounts in the first two columns. Enter the total footings of all accounts showing losses and gains, but only the differences of personal, cash and other similar accounts. You are now ready to proceed in making out the Balance Sheet.

**222a.** First, enter (in red ink) the "Inventory of Mdse.," as shown in the form above.

**NOTE.**—In order to simplify the operation, we have but one "Inventory," that of Merchandise, at this closing.

As the proprietor's account must receive the net gain or loss before it can be extended, proceed at once to the next account, which is Cash. As you are already familiar with what is shown by each account, we indicate how you shall proceed by asking you questions, referring you to the proper answers.

### CASH ACCOUNT.

**222b.** It is debited for what (72)? It is credited for what (73)? What does the difference show (74)? In what column is it placed?

### MERCHANDISE ACCOUNT.

**222c.** It is debited for what (81)? It is credited for what (82)? On which side is the "Inventory" entered (83)? To which footing is it added (221)? After it is added, what does the difference show (84)? In what column is it placed?

### HENRY SMITH.

**222d.** This is what kind of an account (106)? What does the debit side show (106a)? The credit side (106a)? What does the difference show (111)? In what column is it placed?

**222-222d.**

## WILLIAM WRIGHT.

<sup>222e</sup>. What does the debit side show? The credit side? What does the difference show? In what column is it placed?

## EXPENSE ACCOUNT.

<sup>222f</sup>. This belongs to what class of accounts (148)? What is shown on the debit side (151)? On the credit side (152)? By the difference (153)? In what column is it placed?

## C. M. RUSSELL &amp; CO.

<sup>222g</sup>. This and all the personal accounts that follow are treated exactly like those of Henry Smith and William Wright. If the debit side is the larger, the difference is a resource and must be placed in that column; if the credit side is the larger, it is a liability and must be placed in that column.

## NET GAIN OR LOSS, AND NET CAPITAL.

<sup>222h</sup>. Add the Loss and Gain, and the Resource and Liability columns in pencil, as shown in model (page 60). You are now ready to ascertain the net loss or gain, which is found by taking the difference between the total gains and the total losses, as shown by these footings.

If the gains are the larger, the difference is the *net gain*. If the losses are the larger, the difference is the *net loss*.

In this case the total losses are \$82.50, the total gains, \$189.52; the difference, \$107.02, is, therefore, the net gain. It is written on the lesser side (in red ink), preceded by the explanation shown, after which you will rule the lines and insert the footings.

<sup>222i</sup>. This net gain has caused a corresponding increase in the resources (<sup>217h</sup>), and consequently in the net capital, which we find by adding the net gain to the capital invested.

Place the amount of the investment, \$4,000, in the first credit column. Add the net gain, \$107.02, and extend the sum to the liability column. This added to the liabilities should equal the resources (<sup>217a</sup>), and proves your work correct.

When you have ruled and footed these columns, the Balance Sheet is completed, and should be filed and presented to your teacher for examination.

**NOTE:**—Of the many different forms of the Balance Sheet in use, we have seen none that exhibit the entire scheme of closing the Ledger so completely as the one here shown. The arrangement is simple and compact, and the order of transferring the accounts is so clear, that the routine of closing the Ledger is plainly indicated step by step. This Balance Sheet was originated by H. M. Rowe, accountant, by whose permission it has been extensively used by other authors. Wherever it has been introduced among practical bookkeepers, it has at once become popular, and has almost entirely superseded all other forms.

## CLOSING THE LEDGER.

**223. Purpose and Plan.**—This is the completion of the work toward which the making of the Balance Sheet is a preparatory step. The Ledger is closed for the purpose of exhibiting in the proper accounts the present condition of the business, whether profitable or unprofitable, during the time that has elapsed since the former closing. This has already been ascertained from the Balance Sheet; and since the process of closing the Ledger is the same as that followed in making out the Balance Sheet, the latter should be referred to as a guide in performing the different operations of closing. The accounts are disposed of in the same order, and the same final results must be shown by the Loss and Gain and the Proprietor accounts.

In closing, you should be careful to follow exactly the same routine as in making out the Balance Sheet. Any irregularity will surely be a source of trouble in a large Ledger, especially in making transfers to the wrong side of accounts or in omitting them entirely. The Loss and Gain account must correspond exactly with the "Loss" and "Gain" columns in the Balance Sheet, the items in the "Loss" column appearing on the debit side, and those in the "Gain" column appearing on the credit side of the Loss and Gain account. In this set, only Cash, Merchandise and Expense are closed and ruled up.

When the Ledger has been closed, it is again in its primal condition, showing only the resources and liabilities of the business, which are exhibited in condensed form in the Balance Sheet.

As you have already had practice in closing the Ledger in Set 1, we will not repeat the detailed instruction. Therefore, as soon as you have read the following paragraphs you may proceed to close the Ledger.

**224. When to Close the Ledger.**—It is customary to close the Ledger once a year, although it is sometimes closed every three or six months, which, however, is unusual.

**225. What Accounts to Close.**—Besides the Cash and Proprietor's accounts, it is necessary to close and rule up only those accounts which affect the Proprietor's account. These latter are always indicated in the Loss and Gain columns of the Balance Sheet.

**226. The Cash Account,** which is generally a very active account, and in many respects the most important account we keep, is generally balanced and closed at the end of every month, and frequently daily or weekly. This will be fully explained when the Cash-book is introduced.

**227. Personal Accounts** should never be closed unless they are paid in full, and consequently balance themselves, except in the following cases: *First*, when an adjustment of the account has been had and the correct balance determined upon; then it may be ruled up and the balance brought down to begin a new account. *Second*, when the space allotted is filled and it is necessary to forward the account to another page or to a new Ledger. *Third*, when all items balance above a given point, they may be "ruled out" as shown in the account of Henry Hamilton, page 18.

**NOTE.**—It is the practice with some bookkeepers to rule out all items above any two given points on each side of the account whether they are on the same line or not.

**228. Forwarding Accounts.**—When it becomes necessary to forward a personal or cash account to a new page or a new Ledger as mentioned in the last two paragraphs, only the *balance* need be forwarded.

<sup>228a</sup>. When it is necessary to forward property accounts which will show a gain or loss when closed finally, such as Merchandise, Real Estate, etc., it is customary to forward the footings of each side instead of the difference, so that the gain or loss per cent. can be readily calculated on the total purchases or sales. (See <sup>219d</sup>.)

<sup>228b</sup>. This rule also applies to the ordinary loss or gain accounts, for the reason that when they so appear on the Ledger, the general condition of the business can be readily compared with that of former years at the same time; and when exhibited in the Balance Sheet it adds much to their value, as data on which to base an economical administration of the affairs of the business.

**229. Red Ink in the Ledger.**—The use of red ink in the Ledger is entirely a matter of taste and utility. Aside from ruling, it is used only for the purpose of closing an account. In all accounts we transfer *from*, the entry is made in *red ink*, and in all accounts we transfer *to*, the entry is made in *black ink*. Latterly among many progressive bookkeepers the use of red ink is entirely omitted either in ruling or in making transfer entries. This, however, is entirely optional and must be determined by the wish of the proprietor or the judgment of the bookkeeper.

**230. Dates of Red Ink Entries Brought Down or Transferred.**—All red ink entries should be given the date on which the account is closed. As regards their transfer, the red ink entries used in closing accounts in the Ledger belong to two classes: (1) Those that are transferred to *some other account*; (2) Those that are brought down (or carried forward) on the *same account*.

<sup>230a</sup>. When a red ink entry is transferred to the opposite side of *some other account*, the date given it there in black ink should be the *same* as the date of the red ink entry. This applies to transfers of losses and gains to the Loss and Gain account (see also 189–191), and the forwarding of accounts showing balances.

<sup>230b</sup>. When a red ink entry is brought down (or carried forward to a new page) on the opposite side of the *same account*, the date given the entry (in black ink) may be the following business day, *providing* the account is closed at the end of the day's business, there being no more entries for the account on that date. This applies to the "Inventory" entry in any account, the "Balance" entry in Cash and personal accounts (see 227–8), and the "Net Capital" or "Net Insolvency" entry in a proprietor's account.

## CONTINUATION OF THE MONTH OF JANUARY.

Enter in the Journal, and post to the Ledger the remaining transactions in the month of January. Then take a trial balance, make out a Balance Sheet, and close the Ledger, as you have been instructed at the closing Jan. 15. After this has been completed, present your books and Balance Sheet to the teacher for examination and approval.

BUSINESS MEMORANDA, JANUARY—CONTINUED.

- 136b, 108n
- 107e, 143d
- See Jan. 22
- See Jan. 24
- 16, Bought from James Harris on %, 14150# S. C. Hams, 12¢, \$1698.
- 17, Received cash from Wm. Wright in part payment of %, \$334.
- 18, Bought from G. B. Dean & Co. for cash, 50 brls. Refined Petroleum, \$8.50, \$425.
- 19, Received cash from C. M. Russell & Co., to apply on %, \$100.
- 20, Sold R. A. Young for cash, 80 brls. Sugar, 16200#, 6½¢, \$1098.50.
- 22, Received from Chas. P. Wilson & Co., their note at 15 days to apply on %, \$225.50.
- 23, Bought from James Harris on %, 872# Butter, 82¢, \$119.04; 800 doz. Eggs, 25¢, \$75.; 612# Cheese, 9¢, \$55.08. Total, \$249.12.
- 24, Gave J. A. Amsbaugh & Co. our note at 10 days to apply on %, \$500.
- 25, Paid cash to James Harris in full for bill of the 16th inst., \$1698.  
Sold R. A. Walters on %, 350 bu. Corn, 46¢, \$161.; 240 doz. Eggs, 24¢, \$57.60. Total, \$218.60.
- 26, Bought from J. A. Amsbaugh & Co. for cash, 200 bu. Wheat, \$1., \$200.; 50 brls. Refined Petroleum, \$8.65, \$432.50. Total, \$632.50.
- 27, Sold Dilworth Bros. on %, 60 doz. Eggs, 25¢, \$15.; 612# Cheese, 10¼¢, \$64.26; 872 Butter, 86¢, \$183.92; 8800# Sugar, 6¢, \$228.; 200# Rio Coffee, 18¼¢, \$27. Total, \$468.18.  
Paid Henry Smith cash on %, \$600.
- 29, Received from Harry Arnold & Co., their note at 15 days to balance %, \$388.09.
- 30, Sold Wells & Ray on %, 1800# S. C. Hams, 15¢, \$270.; 805 bu. Oats, 45¢, \$137.25. Total, \$407.25.
- 31, Gave James Harris our note at 20 days in full of bill of Jan. 23, \$249.12.  
Paid for Janitor's services, \$12.25. For coal for office use, \$6.50. Total, \$18.75.  
Received cash from Dilworth Bros. to apply on %, \$200.

INVENTORY, JANUARY 31, . . . . . \$2958.25.

TRIAL BALANCE, JAN. 31,

|                            |      |    |      |    |
|----------------------------|------|----|------|----|
| H. M. Grayson, Proprietor, |      |    | 4107 | 02 |
| Cash,                      | 1189 | 90 |      |    |
| Mdse.,                     | 4945 | 77 | 2187 | 53 |
| Henry Smith,               |      |    | 330  |    |
| Wm. Wright,                | 300  |    |      |    |
| Expense,                   | 18   | 75 |      |    |
| C. M. Russell & Co.,       | 64   | 80 |      |    |
| J. A. Amsbaugh & Co.,      |      |    | 1010 |    |
| C. P. Wilson & Co.,        | 406  | 88 |      |    |
| Bills Receivable           | 618  | 59 |      |    |
| Bills Payable,             |      |    | 749  | 12 |
| R. A. Walters,             | 218  | 60 |      |    |
| Dilworth Bros.,            | 268  | 18 |      |    |
| Wells & Ray,               | 407  | 25 |      |    |
|                            | 8888 | 67 | 8888 | 67 |

RESULTS FOR JAN. 31.

If your work is correct, the Balance Sheet will show the following results:

|                        |         |
|------------------------|---------|
| Total Losses, . . . \$ | 18.75   |
| Gains, . . . . .       | 200.01  |
| Net Gain, . . . . .    | 181.26  |
| Resources, . . . . .   | 6377.40 |
| Liabilities, . . . . . | 2089.12 |
| Net Capital, . . . . . | 4288.28 |

NOTE.—The accounts of Harry Arnold & Co. and James Harris balance and hence do not appear in the trial balance.

QUESTIONS.

1. What are the two general sources of losses and gains? <sup>148</sup>
2. Why are they not all entered into the Loss and Gain account? <sup>149g</sup>
3. What is the difference between the terms "use" and "service"? <sup>149b</sup>
4. For what is Expense debited and credited? <sup>151 152</sup>
5. What does the difference show and into what is it closed? <sup>150</sup>
6. What is interest? discount? <sup>155 156</sup>
7. How is interest calculated on interest-bearing notes? <sup>157</sup>
8. For what are interest-bearing notes discounted? <sup>158</sup>
9. For what is interest debited and credited? <sup>158 159</sup>
10. What does the difference show and into what account is it closed? <sup>159</sup>
11. What kind of an account is the Commission account? <sup>160</sup>
12. For what is it debited and credited? <sup>160 170</sup>
13. What does the difference show and into what account is it closed? <sup>171</sup>
14. Explain Furniture and Fixtures account. <sup>172</sup>
15. It is debited and credited for what? <sup>173 176</sup>
16. What does the difference show and into what account is it closed? <sup>177</sup>
17. For what is the Loss and Gain account kept? <sup>178</sup>
18. For what is it debited and credited? <sup>179</sup>
19. How is the net gain or loss found?
20. If there has been a net gain, what is the result? <sup>181</sup>
21. If there has been a net loss, what is the result? <sup>182</sup>
22. Into what account does it close? <sup>183</sup>
23. Why are the differences written in red ink on the smaller side of accounts showing losses and gains? <sup>180</sup>
24. Where is the real loss or gain found in a Loss and Gain account? <sup>181</sup>

## EXERCISES IN MAKING BALANCE SHEETS.

No. 1.

|                                    |         |    |      |      |  |
|------------------------------------|---------|----|------|------|--|
| George H. Grayson, Proprietor,     |         |    |      | 1650 |  |
| Cash,                              | 368     | 12 |      |      |  |
| Merchandise, (Inventory \$1243.60) | 2314    | 50 | 1816 | 20   |  |
| Bills Receivable,                  | 163     | 50 |      |      |  |
| Bills Payable,                     |         |    | 92   | 30   |  |
| Expense,                           | 435     | 63 |      |      |  |
| John Chambers,                     | 68      | 12 |      |      |  |
| Charles Haworth,                   | 19      | 80 |      |      |  |
| L. P. Vest,                        |         |    | 23   | 60   |  |
| Walton & Rupee,                    | 212     | 43 |      |      |  |
| Results:—Net Gain,                 | 309.67  |    | 3582 | 10   |  |
| Present Net Capital,               | 1969.67 |    |      |      |  |

No. 2.

|                                |       |  |  |       |       |       |
|--------------------------------|-------|--|--|-------|-------|-------|
| Earle Winthrop, Proprietor,    |       |  |  | 350   |       | 500   |
| Merchandise, (Inventory \$290) | 18800 |  |  |       | 17356 |       |
| Cash,                          | 640   |  |  |       |       |       |
| Bills Receivable,              | 930   |  |  |       |       |       |
| Bills Payable,                 |       |  |  |       | 620   |       |
| Expense,                       | 230   |  |  |       |       |       |
| Interest and Discount,         |       |  |  |       | 193   |       |
| Personal accounts Dr.*         | 2550  |  |  |       |       |       |
| Personal accounts Cr.*         |       |  |  |       | 4631  |       |
| Results:—Net Loss,             | 991   |  |  |       |       |       |
| Present Net Insolvency,        | 841   |  |  | 23300 |       | 23300 |

No. 3.

|                                    |         |    |       |      |  |
|------------------------------------|---------|----|-------|------|--|
| J. E. Andrews, Proprietor,         |         |    |       | 4300 |  |
| Cash,                              | 468     | 75 |       |      |  |
| Bills Receivable,                  | 306     | 45 |       |      |  |
| Bills Payable,                     |         |    | 965   |      |  |
| Expense,                           | 397     | 50 |       |      |  |
| Personal accounts Dr.*             | 4618    | 50 |       |      |  |
| Personal accounts Cr.*             |         |    | 1786  | 75   |  |
| Horse and Wagon account,           | 275     |    |       |      |  |
| Furniture and Fixtures,            | 45      |    |       |      |  |
| Interest and Discount              | 83      | 50 |       |      |  |
| Merchandise, (Inventory \$1141.25) | 6476    | 12 | 5619  | 07   |  |
| Results:—Net Loss,                 | 196.80  |    |       |      |  |
| Present Net Capital,               | 4103.20 |    | 12670 | 82   |  |

No. 4.

|                                    |         |    |       |      |       |    |
|------------------------------------|---------|----|-------|------|-------|----|
| W. H. Sampson, Proprietor,         |         |    |       | 419  | 30    |    |
| Cash,                              | 246     | 50 |       |      |       |    |
| Merchandise, (Inventory \$2356.50) | 22641   | 85 | 23176 | 12   |       |    |
| Expense,                           | 946     | 85 |       |      |       |    |
| Interest and Discount,             | 38      | 12 |       | 116  | 22    |    |
| Commission,                        |         |    |       | 246  | 39    |    |
| Real Estate, (Inventory 2300)      | 1760    |    |       |      |       |    |
| Bills Receivable,                  | 124     |    |       |      |       |    |
| Bills Payable,                     |         |    |       | 1693 |       |    |
| Personal accounts Dr.              | 316     | 25 |       |      |       |    |
| Personal accounts Cr.              |         |    |       | 1261 | 23    |    |
| Results:—Net Gain,                 | 2806.32 |    |       |      |       |    |
| Present Net Capital,               | 2369.02 |    | 26492 | 87   | 26492 | 87 |

## QUESTIONS.

- What are the Special Features of Set 2?
- What books are used?
- How is the Business Memoranda presented to you? <sup>211</sup>
- Why is the Blotter used in this set? <sup>211a</sup>
- From what are the entries generally made in business?
- What is journalizing? <sup>212</sup>
- Does the Journal usually contain only journal-entries?
- Before recording a transaction, what are the questions you should ask yourself?
- Which do you select first, the debits or credits?
- When should each day's business be posted? <sup>214</sup>
- What is checking, and is it important? <sup>215</sup>
- When should each day's business be checked? <sup>215a</sup>
- How should a wrong entry be corrected? <sup>216</sup>
- What is a Balance Sheet and from what is it made? <sup>216</sup>
- What is the object in making out a Balance Sheet, and when is it made out? <sup>216a</sup>
- As prepared by the practical bookkeeper, how are debit and credit balances of personal accounts treated?
- How do all accounts showing losses and gains appear?
- What accounts should show only the balances? <sup>216c</sup>
- What accounts should show the footing of each side? <sup>216d</sup>
- Accounts are divided into how many classes? <sup>217</sup>
- What are they?
- When the resources are larger than the liabilities, what does the difference show? <sup>217a</sup>
- When the liabilities are larger than the resources, what does the difference show? <sup>217b</sup>
- Where are resources always found? liabilities? <sup>217d</sup>
- When do losses occur in business? <sup>217d</sup>
- When do gains occur in business? <sup>217e</sup>
- Where are losses and gains always found? <sup>217f</sup>
- How are the sources of losses and gains indicated? <sup>217g</sup>
- What do losses always result in? gains? <sup>217h</sup>
- What is the Debit Principle? <sup>218</sup> the Credit Principle? <sup>218</sup>
- Explain inventories. <sup>219</sup> What is a resource inventory;—a liability inventory?
- How is merchandise inventory generally estimated? <sup>220a</sup>; real estate, bonds, etc.? <sup>220b</sup>; machinery, tools, etc.? <sup>220c</sup>
- How is the net gain found in accounts having inventories? <sup>221</sup>
- Can the proprietor's account be the first extended in the Balance Sheet?
- Why do you close the Ledger? <sup>222</sup>
- Do you follow the same or a different process than in making out the Balance Sheet?
- When the Ledger is closed, what does it show?
- When is it customary to close the Ledger? <sup>224</sup>
- What accounts are always closed? <sup>225</sup>
- When is the Cash account closed? <sup>226</sup>
- When are personal accounts closed? <sup>226a</sup>
- How are personal accounts forwarded? <sup>226</sup>
- How should property accounts be forwarded? <sup>226a</sup>
- How should ordinary loss and gain accounts be forwarded? <sup>226b</sup>
- When should red ink be used in the Ledger? <sup>226</sup>
- How do we use it in transferring accounts? <sup>226</sup>
- When is the same date and when the next preceding date used in forwarding accounts? <sup>226a</sup>

\*See note <sup>216a</sup>.

**SET 3.****GENERAL MERCHANDISING BUSINESS.**

H. M. GRAYSON, PROPRIETOR

**Special Features.**—Introduction of Cash-book, Sales-book, Bills Receivable and Bills Payable books ; also the use of Notes, Drafts, Bills, Receipts, etc.

You have arrived at the point where, if you have been faithful in your studies and observations, you should thoroughly understand the general principles of bookkeeping :—the object we have in keeping accounts ; what the different accounts are debited and credited for, and the results shown, as well as to understand the form in which these accounts are kept, the manner of ruling and closing them, and the general effects produced by debits and credits on the different accounts that are covered in the transactions and illustrations which have been presented to you up to this point.

You are now ready to take a step further. As has been stated, the General Law of debits and credits never changes. The principles of bookkeeping never change. Their application to the needs and requirements of different businesses, however, may demand the adoption of certain forms that will facilitate the keeping of the desired accounts.

No attempt will be made to introduce all the different forms and special rulings employed by accountants and business men. Our purpose is to give you the information that will enable you to invent such improvements in the forms of books, and in the ruling of special columns, etc., as will simplify methods, shorten your work, and increase your accuracy and efficiency as a bookkeeper in any line of business in which you may hereafter be employed.

All the forms introduced are those that are now in practical use and accepted as being the best that have been discovered for the purposes for which they are used.

**BOOKKEEPING AS PRACTICED.**

In this Set are used the Cash-book, Sales-book, Journal, and Ledger as principal books, or books of original entry, and Bills Receivable and Bills Payable as auxiliary books.

This is a practical arrangement of a set of books as they are usually kept in an ordinary business. The transactions for January are again to be written up in these books, and in the succeeding months the business will be continued, a partner will be admitted, and new lines of business with the necessary additional books will be introduced as the work progresses. This is done with two objects in view : (1) Being already familiar with the transactions for the month of January, you will more readily understand the instructions for entering them in the new books ; (2) That you may have an opportunity to compare the different systems of recording the same series of business transactions. All the different forms of business papers, such as bills, notes, checks, receipts, etc., are to be written up so that you may be familiar with their uses.

You will record your entries in an entirely new set of books ; you will also be required to exercise the utmost care in penmanship and the general neatness of your work. Otherwise your books will not be approved. Carefully study each transaction as it will finally appear and make no entry until certain it is correct.

**CASH-BOOK.**

**231.** This book takes the place of the cash account in the Ledger, and receives the entries of all the cash received and paid out. It is debited and credited exactly as you have been instructed to debit and credit the cash account (see 70-71) and is used as a posting medium, no cash items whatever being entered in the Journal.

**a.** All items of cash received and entered on the debit side of the Cash-book are posted on the credit side of the Ledger account named.

**b.** All items of cash paid out and entered on the credit side of the Cash-book are posted to the debit side of the Ledger account named.

**c.** The difference between the two sides of the Cash-book shows the amount of cash on hand,—that is, the amount in the drawer, or safe, and that in the bank, which latter is shown on the stub of the Check-book. This balance is found by footing the columns in pencil, as you have been instructed for the cash account, and finding the difference.

<sup>231d</sup>. In business, the cash is balanced daily, and the Cash-book is ruled up daily, weekly or monthly, when the balance is brought down to continue the account. (See form, pages 68-69.)

When taking a trial balance, the cash balance must be taken from the Cash-book, as there is no cash account in the Ledger

### SALES-BOOK.

**232.** As indicated by its name, this book receives the entries of all merchandise sold, for which bills are made out whether paid for at once or not. Therefore, no sales of merchandise will appear in the Journal.

<sup>232a</sup>. The Sales-book is also kept as a posting medium, the amount of the different sales being posted directly to the debit side of the personal accounts in the Ledger, and the total footing for the week or month posted to the credit side of the merchandise account, thus preserving the equality of debits and credits.

<sup>232b</sup>. Each page of the Sales-book must be footed, ruled, and forwarded to the next page, until the end of the month, when the footing is posted to the Ledger, as indicated in the form of the Sales-book (page 70).

**NOTE.**—*Cash sales*, or when the goods are paid for and simply delivered without a bill being made out, are not entered in the Sales book. (See 238, Note.) For cash sales, it is the custom in business to make out a Cash-slip, unless a Cash Register is used. In the evening, the total cash received must equal the total shown by the Cash slip or Cash Register. (See <sup>232d</sup>.)

### BILL-BOOKS.

**233.** The Bills Receivable and Bills Payable books are kept to show in detail a record of all the notes and acceptances received and issued.

The special object is to have all the particulars pertaining to each in a compact form for ready reference, especially as to date, maturity, final disposal, and the parties thereto.

<sup>233a</sup>. When a note or acceptance is received or given, it should first be entered in the Bill book, and then in the Journal; when paid, the first entry is made in the Cash-book, and the word "Paid" and the date is then entered in the "Remarks" column in the Bill book.

<sup>233b</sup>. The entries (debits and credits) for Bills Receivable and Bills Payable are made in the Cash-book or Journal. The Bill-books are auxiliary books and are not to be used as posting mediums.

<sup>233c</sup>. **Checking.**—The Bill books and the Bills Receivable and Payable accounts in the Ledger should be compared and checked with each other frequently, and always before taking a trial balance.

### JOURNAL.

**234.** This book is kept as heretofore, except that no *cash* items or *merchandise sales* appear in it. Hereafter, the items of the different purchases of merchandise are not entered in this book, as we have the bills to which we can refer should it be necessary. Instead of the items, insert the date of the bill and the terms. But the bills, as well as all other papers, should be invoiced or properly filed so as to be easily found if wanted.

### LEDGER.

**235.** No change is made in the manner of keeping the Ledger, except that accounts are opened with all persons with whom we do business (see 238-<sup>238d</sup>), and that the cash account is omitted, being kept in the Cash-book.

<sup>235a</sup>. **Checking Payments.**—In wholesale houses where payments by customers are rarely "on account," being generally intended to cover certain bills specified by the customer at the time of making remittance, instead of ruling a personal account each time it balances, the debits may be checked off whenever a payment is posted and the account ruled up from time to time, as in the case of Bills Receivable, described in paragraphs <sup>140a, b, c</sup>, pages 36-37.

### LEDGER INDEX.

**236.** This index is to enable you to find an account in the Ledger readily. Always index an account before you write it in the Ledger. This is most important in order to avoid opening two accounts with the same person. In posting, when you come to what you think is a new name, look over the names of the accounts preceding, so as to not open the same account twice.



<sup>236a</sup>. When accounts are forwarded to a new page, it is indicated in the index by drawing the pen lightly through the last Ledger page and inserting the new page. Many improved forms of indexes are now in use in large business houses, but the simple form shown is sufficient for an ordinary Ledger.

## BILLS, NOTES, CHECKS, ETC.

**237.** The use of business papers is introduced in this Set, with forms illustrated. Write all the business papers that pass from you to others, and have them approved before you write up the transactions in the new books. Arrange these papers in the order in which they appear in the transactions, and then make your entries from them, referring to the transactions as a guide so that you may omit nothing.

<sup>237a</sup>. *Briefing and Filing Business Papers.*—As soon as the day's transactions have been recorded, the bills and other business papers from which the entries are made should be properly briefed and filed. To brief a business paper is to write on the outside of it at one end, after it has been properly folded, a brief statement as to the nature of the paper. Thus, James Harris' bill of January 2 should be briefed in the following manner: James Harris, Jan. 2, 189 , Mdse. \$950.

A convenient and simple method of filing your business papers is as follows: Take ordinary envelopes (No. 5 or 6), and cut off the ends, then seal the envelope so as to make it about three inches wide. Label these envelopes across one end for the various classes of paper you are handling. Thus, one envelope should be "Bills", another "Receipts", another "Notes and Acceptances", or have two, one for Bills Receivable, the other for Bills Payable. There are many different kinds of files that can be purchased in any stationery store which are properly labeled and arranged for the different kinds of business papers.

File each bill properly, then brief it as directed above, and place it in its proper package.

## "TERMS: CASH."

**238.** When merchandise is bought or sold at wholesale on cash "terms", it is the best practice among bookkeepers to treat the bills exactly as though bought or sold "on account",—that is, the seller is credited or the buyer is debited for the amount of his bill. Then when the cash is paid to the seller, or received from the buyer, the former is debited or the latter credited through the Cash-book.

<sup>238a</sup>. The reason for this is that in a wholesale business the term "cash" generally means any time within ten days; consequently a person's account should be credited (when bought from) or debited (when sold to) with the amount of the bill during the interval between the date of the bill and the time when the cash is paid or received.

<sup>238b</sup>. The same plan is followed when immediate payment is to be made in any other way as specified in the bill sent to the buyer, as for instance, by note or acceptance. The buyer is debited for the amount of the bill from the Sales-book, and when the note or acceptance is received, he is credited through the Journal.

<sup>238c</sup>. *"Spot Cash."*—In wholesale houses and in some lines of the retail trade, when "spot cash" is paid for goods sold and billed to a customer, the transaction is usually entered in the Sales-book and passed through the personal account, the customer receiving credit through the Cash-book.

The reasons for treating such transactions in this way are: (1) The customer may ask to have his order, or bill of such a date, duplicated as to kind, quantity and quality of goods; (2) The seller may, for business reasons, desire to know the aggregate of his dealings with the customer during the year; or (3) The customer may, for like reasons, ask that a statement be sent him showing the items and the aggregate of his purchases during a certain period.

**NOTE.**—Be careful to distinguish between purchases and sales on cash terms and ordinary purchases and sales for cash. In the latter, cash is paid for the goods when they are purchased, while in the former such is not usually the case, the amount of the bill being credited or charged "on account."

<sup>238d</sup>. In "spot cash" sales the fact as to whether or not a bill is made out usually determines how the transaction shall be treated on the books of the seller. When a bill is made out and passed between the parties, the transaction is treated in the usual way, passing through the personal account. When no bill is made out (or a *receipted* bill given) and the goods are simply passed by delivery, they are classed with the "cash sales", the sum received being placed in the Cash Register or cash drawer and included in the amount entered in the Cash-book as "Cash sales for the day."

CASH-BOOK.

Cash

|      |    |                     |                   |         |      |    |
|------|----|---------------------|-------------------|---------|------|----|
| Jan. | 1  | H. M. Grayson       | Investment        | 4000    |      |    |
|      | 4  | H. A. Goodman       | Bill of this date | 335 90  |      |    |
|      | 5  | Wm. Wright          | On a/c.           | 300     |      |    |
|      | 12 | C. M. Russell & Co. | "                 | 150     |      |    |
|      | 17 | Wm. Wright          | "                 | 3 94    |      |    |
|      | 19 | C. M. Russell & Co. | "                 | 100     |      |    |
|      | 20 | R. A. Young         | Bill of this date | 1093 50 |      |    |
|      | 31 | Dilworth Bros.      | On a/c.           | 200     |      |    |
|      |    |                     |                   |         | 6513 | 40 |
| Feb. | 1  | Balance             |                   |         | 6513 | 40 |
|      |    |                     |                   |         | 1139 | 90 |

BILLS RECEIVABLE BOOK.

Bills or Notes

| Date | No.  | Drawer or Endorser | Payer<br>(Maker or Drawee) | In whose favor<br>(Payee) | Where Payable  |
|------|------|--------------------|----------------------------|---------------------------|----------------|
| Jan. | 22 1 |                    | Charles P. Wilson & Co.    | H. M. Grayson             | Merchants Bank |
| "    | 29 2 |                    | Harry Arnold & Co.         | "                         | First Natl.    |

BILLS PAYABLE BOOK.

Bills or Notes

| Date | No.  | Drawer or Endorser | Payer<br>(Maker or Drawee) | In whose favor<br>(Payee) | Where Payable  |
|------|------|--------------------|----------------------------|---------------------------|----------------|
| Jan. | 24 1 |                    | H. M. Grayson              | J. A. Ambaugh & Co.       | Merchants Bank |
| "    | 31 2 |                    | "                          | James Harris              | "              |

JOURNAL

January 2.

|              |                     |      |      |
|--------------|---------------------|------|------|
| Indes.       | Bill of Dec. 31     | 950  |      |
| James Harris | Cash 36 1st St.     |      | 950  |
|              | 3                   |      |      |
| Indes.       | Bill Jan. 2         | 1380 |      |
| Henry Smith  | On a/c. 47 3d. Ave. |      | 1380 |

Cash

|      |    |                      |                                                         |        |         |  |
|------|----|----------------------|---------------------------------------------------------|--------|---------|--|
| Jan. | 2  | James Harris         | Bill of this date                                       | 9 50   |         |  |
|      | 6  | Hells & Ray          | " "                                                     | 516 75 |         |  |
|      | 6  | Expense              | Books & stationery                                      | 32 50  |         |  |
|      | 9  | Henry Smith          | Past payment bill of Jan. 3                             | 450    |         |  |
|      | 13 | Expense              | Rent for Jan.                                           | 50     |         |  |
|      | 18 | E. B. Dean & Co.     | Bill of this date                                       | 425    |         |  |
|      | 23 | James Harris         | Bill of Jan. 16                                         | 1698   |         |  |
|      | 26 | J. A. Amstrong & Co. | Bill of this date                                       | 632 50 |         |  |
|      | 27 | Henry Smith          | On a/c.                                                 | 600    |         |  |
|      | 31 | Expense              | Janitor's service <sup>12.25</sup> Coal <sup>6.50</sup> | 18 75  |         |  |
|      |    |                      |                                                         |        | 5373 50 |  |
|      | 31 | Balance              |                                                         |        | 1139 90 |  |
|      |    |                      |                                                         |        | 6513 40 |  |

Receivable

| Date |       |        | Time   | When Due |     |   |   |   |   |   |   |   |    |    |    | Amount |    | Remarks |    |      |
|------|-------|--------|--------|----------|-----|---|---|---|---|---|---|---|----|----|----|--------|----|---------|----|------|
| year | Month | to run | year   | 1        | 2   | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |        |    |         |    |      |
|      | Jan.  | 22     | 15 ds. |          | 1/4 |   |   |   |   |   |   |   |    |    |    | 225    | 50 | Feb.    | 9  | Paid |
|      | "     | 29     | 15 ds. |          | 1/6 |   |   |   |   |   |   |   |    |    |    | 388    | 09 | Feb.    | 16 | Paid |

Payable

| Date |       | Time   | When Due |   |   |        |   |   |   |   |   |   |    |    | Amount |        | Remarks |    |      |
|------|-------|--------|----------|---|---|--------|---|---|---|---|---|---|----|----|--------|--------|---------|----|------|
| Year | Month | To run | Year     | 1 | 2 | 3      | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |        |        |         |    |      |
|      | Jan.  | 24     | 10 ds.   |   |   | 1/6    |   |   |   |   |   |   |    |    |        | 500    | Feb.    | 6  | Paid |
|      | "     | 31     | 20 ds.   |   |   | 20/100 |   |   |   |   |   |   |    |    |        | 249 12 | Feb.    | 23 | Paid |

In the forms of the Cash-book, Journal and Sales-book, shown above and on the next page, the Ledger pages are omitted. They should be entered as each item is posted. The memoranda for the above transactions are found on pages 73, 74 and 75. Trace each entry until you become familiar with the use of each book.

Avoid all shading in your books, but write a plain, clear-cut hand that is easily read. Take special pains in writing figures; make them plain and keep them in straight columns.

## SALES-BOOK.

January 4.

|                                          |       |        |      |    |  |
|------------------------------------------|-------|--------|------|----|--|
| W. A. Goodman, Market St. Cash!          |       |        |      |    |  |
| 15 bbls. M. Pork                         | 10.   | 150    |      |    |  |
| 150 bu. Corn                             | 45¢   | 67 50  |      |    |  |
| 320 " Oats                               | 37¢   | 118 40 | 335  | 90 |  |
| 5                                        |       |        |      |    |  |
| Wm. Knight 407 Penn Ave! on a/c          |       |        |      |    |  |
| 350 bu. Wheat                            | 98¢   | 343    |      |    |  |
| 60 bbls. M. Pork                         | 9.85  | 591    | 934  |    |  |
| 8                                        |       |        |      |    |  |
| C. M. Russell & Co. 300 4th Ave! on a/c. |       |        |      |    |  |
| 225 bu. Wheat                            | 1.02  | 229 50 |      |    |  |
| 175 " Oats                               | 39¢   | 68 25  |      |    |  |
| 155" Cheese                              | 11¢   | 17 05  | 314  | 80 |  |
| 11                                       |       |        |      |    |  |
| Chas. P. Wilson & Co. 412 Woodst on a/c. |       |        |      |    |  |
| 25 bbls. M. Pork                         | 10.30 | 257 50 |      |    |  |
| 200 bu. Wheat                            | 1.03  | 206    |      |    |  |
| 446" Cheese                              | 10½¢  | 46 83  |      |    |  |
| 20 bbls. Flour                           | 6.10  | 122    | 632  | 33 |  |
| 13                                       |       |        |      |    |  |
| Harry Arnold & Co. on a/c.               |       |        |      |    |  |
| 40 bbls. Flour                           | 6.08  | 243 20 |      |    |  |
| 299" Cheese                              | 11¢   | 32 89  |      |    |  |
| 800" Rio Coffee                          | 14¢   | 112    | 388  | 09 |  |
| 20                                       |       |        |      |    |  |
| R. A. Young Cash                         |       |        |      |    |  |
| 80 bbls. Sugar 16200"                    | 6¾¢   |        | 1093 | 50 |  |
| 25                                       |       |        |      |    |  |
| R. A. Walters 735 Water St. on a/c.      |       |        |      |    |  |
| 350 bu. Corn                             | 46¢   | 161    |      |    |  |
| 240 doz. Eggs                            | 24¢   | 57 60  | 218  | 60 |  |
| 27                                       |       |        |      |    |  |
| Delworth Bros. 1060 Penn Ave! on a/c.    |       |        |      |    |  |
| 60 doz. Eggs                             | 25¢   | 15     |      |    |  |
| 612" Cheese                              | 10½¢  | 64 26  |      |    |  |
| 372" Butter                              | 36¢   | 133 92 |      |    |  |
| 3800" Sugar                              | 06¢   | 228    |      |    |  |
| 200 Rio Coffee                           | 13½¢  | 27     | 468  | 18 |  |
| 30                                       |       |        |      |    |  |
| Kells & Ray Duquesne Way on a/c.         |       |        |      |    |  |
| 800" S. C. Hams                          | 15¢   | 270    |      |    |  |
| 305 bu. Oats                             | 45¢   | 137 25 | 407  | 25 |  |
| Mdse. Cr.                                |       |        | 4792 | 65 |  |

**WHOLESALE BOOKKEEPING.**

**General Instructions.**—The transactions will be found to become more varied in character and more difficult as you proceed. Many new accounts will be introduced, and you must exercise all possible care so as to avoid errors.

You may proceed in one of three ways in working the set, which will be selected by the teacher.

**First.**—By preparing all the incoming and outgoing papers before making the entries in the books. When this plan is adopted it is best to prepare all the necessary papers for each day's business, before making the entries. Place all the incoming papers together, and from them make the proper entries. Then make the entries from the outgoing papers. After they have been entered they should be placed by themselves so as to be convenient for future reference. All the incoming bills, etc., should be dated two or three days prior to the date of the transaction.

**Second.**—By preparing only the outgoing papers, and making the entries from them. For those transactions for which the business papers would have been received, the entries are made from the memoranda given in the text.

**Third.**—By omitting the preparation of the business papers entirely, and making the entries only from the memoranda of the transactions.

The special instructions given under each transaction are arranged upon the presumption that the business papers are actually received and issued. When the writing of the business papers in whole or in part is omitted, such parts of the instructions as refer to their disposal, etc., may also be omitted.

It must be understood that you are the bookkeeper employed by Mr. Grayson, and the special instructions given in connection with each transaction are as nearly as possible the instructions he would give you in person. The transactions all originate with Mr. Grayson. He oversees the buying and selling of goods, and transacts the general business. You are the bookkeeper, and must consider yourself as being subject to his orders and directions.

In signing Mr. Grayson's name to business papers, always add your own name or initials as shown in the check on page 73. The right to sign another's name is conveyed by a Power of Attorney, or the power may be delegated by the simple instructions of the proprietor. It is always best, however, to have such instructions in writing.

In entering each transaction, refer to the correct entry shown in the different books illustrated.

**CHECKING PAYMENTS.**

Read instructions for "Checking Payments," page 145.—The following is given as an illustration of how an account may be checked up as the different items are paid. As each item is paid it is cancelled on both sides of the account as shown. The unpaid items remain unchecked.

At any time when the balance of an account is paid up to a certain date, all items prior to that date should be checked.

*Mr. Grace & Co. 204 Broadway New York*

|      |    |        |           |      |     |    |      |    |            |      |     |    |
|------|----|--------|-----------|------|-----|----|------|----|------------|------|-----|----|
| June | 3  | Merch. | m/60      | 39   | 142 | 62 | June | 17 | Cash       | 212x | 712 | 36 |
|      | 8  | "      | m/10      | 72x  | 712 | 36 |      | 27 | "          | 215x | 374 | 95 |
|      | 13 | "      | m/30      | 93   | 425 | 12 |      | 30 | Bills Rec. | 304x | 751 | 34 |
|      | 17 | "      | m/90      | 118x | 374 | 95 |      |    |            |      |     |    |
|      | 27 | "      | Dft. 69ds | 137x | 781 | 34 |      |    |            |      |     |    |
|      | 29 | "      | m/10      | 156  | 83  | 45 |      |    |            |      |     |    |

Deposited Jan. 1 4000

No. 1

Date Jan. 2 1894

Paid to James Vassar

For Bill of Jan. 1

Amount \$9.50

Less \$

3154

No. 2

Date Jan. 6 1894

Paid to Wells & Ray

For Bill of Jan. 5

Amount \$16.75

Less \$

31675

No. 3

Date Jan. 6 1894

Paid to Office Supply Co.

For Books & Stationery

Amount \$32.50

Less \$

319625

Deposited Jan. 8 Forward

Baltimore, Jan. 2, 1894 No. 1

Drovers & Mechanics National Bank

Pay to the order of James Vassar \$9.50

Nine hundred fifty Dollars

J. M. Grayson

Baltimore, Jan. 6, 1894 No. 2

Drovers & Mechanics National Bank

Pay to the order of Wells & Ray \$16.75

Six hundred sixteen 75/100 Dollars

J. M. Grayson

Baltimore, Jan. 6, 1894 No. 3

Drovers & Mechanics National Bank

Pay to the order of Office Supply Co. \$32.50

Thirty two 50/100 Dollars

J. M. Grayson

ALWAYS BRING YOUR BANK BOOK.

Drovers & Mechanics National Bank.

DEPOSITED BY

J. M. Grayson

Baltimore, Jan. 1.

|                 | DOLLARS | CENTS |
|-----------------|---------|-------|
| BILLS . . .     |         |       |
| SPECIE . . .    |         |       |
| CHECK, (Jan. 1) | 335     | 90    |
| " . . .         | 300     |       |
| " . . .         | 635     | 90    |
| " . . .         |         |       |
| " . . .         |         |       |
| " . . .         |         |       |

\$5.50 New York March 2, 1894

At fifteen days sight Pay to

the order of Merchants Supply Co. Dollars

Value received and charge the same to account of

To J. M. Grayson

No. 1 Baltimore, Md. Willis S. Broad

Baltimore, Jan. 1, 1894

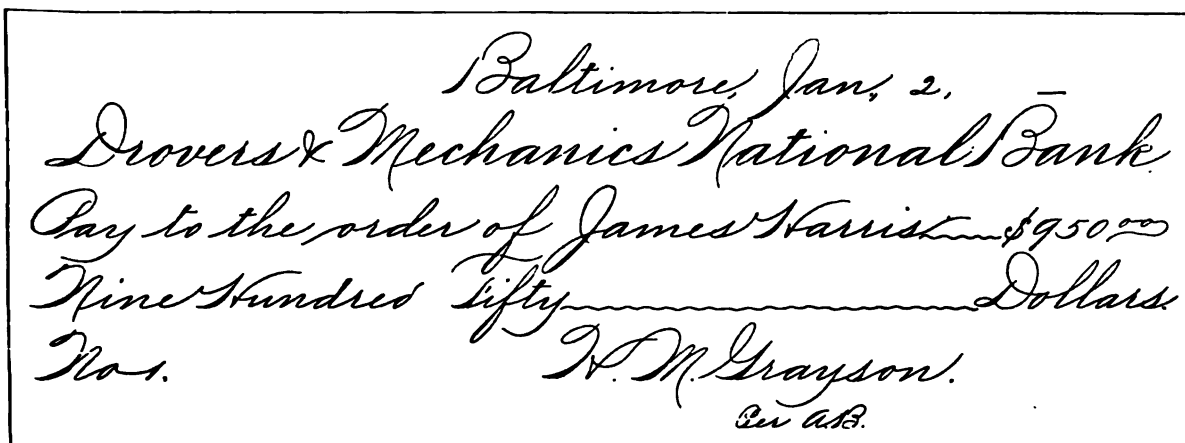
Received from Wm. Wright

Three hundred 00/100 Dollars

on account

\$300.00 J. M. Grayson

The transactions for the above papers will be found by referring to the Business Memoranda on the dates indicated. The stubs of the draft and receipt are not shown; they should always be filled out before the paper is written. Never detach a paper to be issued until after it is filled out; then compare the amounts, dates, etc., so as to avoid any error in filling out either blank.



## BUSINESS MEMORANDA, JANUARY.

WITH SPECIAL INSTRUCTIONS FOR ENTERING THE TRANSACTIONS FOR JANUARY, MAKING THE ENTRIES DIRECTLY FROM THE BILLS, CHECKS, AND OTHER VOUCHERS AS THEY ARE RECEIVED AND ISSUED, USING THE CASH-BOOK, SALES-BOOK, JOURNAL, LEDGER, AND BILL-BOOKS.

NOTE.—When the plan of making out the different business papers, as indicated in General Instructions, etc., is not followed, the entries may be made from the “memoranda of the transactions” given below.

- 1, H. M. Grayson invested cash in business, \$4000. (C. B.)

The Cash-book is opened by entering the cash invested on the debit side (page 68). Then make out a deposit slip and enter the amount on the stub of the Check-book (page 72). Deposit the cash in bank or such other place as your teacher may designate.

- 2, Bought from James Harris, 36 Eighth St., for cash, 100 brls. Mess Pork, \$9.50, \$950. (J. & C. B.)

Enter James Harris' bill in the Journal, inserting the date and terms of the bill, but omitting the items. Credit Harris. (See 1st entry in Journal, page 68.) Then write a check, first filling out the stub (see form, page 72), deducting the amount from the deposit of Jan. 1st as shown. Then fill out the check, as shown in form above, and from the stub enter the amount of the check on the credit side of the C. B., debiting Harris. This will balance his account in the Ledger (238). You will then write the words “Entered C. B. 1” on the stub of the Check-book as shown. Fold and file the bill. (See form, page 72.) The words “Received Payment, Jas. Harris,” which appear on the bill are supposed to have been written by Mr. Harris while you were writing the check.

When checks are remitted through the mails in payment of bills, it is customary to enclose the bill with the check. Then it is receipted and returned to you, after which it is filed as you have been instructed.

- 3, Bought from Henry Smith, 47 Third Ave., on %, 1000 bu. Wheat, 90¢, \$900.; 800 bu. Oats, 35¢, \$280.; 500 bu. Corn, 40¢, \$200. Total, \$1380. (J.)

Enter this bill in the Journal, omitting the items but inserting the date and terms of the bill just as in the last entry. (See 2nd Journal entry, page 68.) Then fold and file the bill as you have previously been instructed.

- 4, Sold H. A. Goodman, Market St., for cash, 15 brls. Mess Pork, \$10., \$150.; 150 bu. Corn, 45¢, \$67.50; 820 bu. Oats, 87¢, \$711.40. Total, \$935.90. (S. B. & C. B.)

Make out the bill (see page 71) from the Order slip, after which you will enter it in the Sales-book, debiting Goodwin. (See 1st entry, page 70.) Then receipt the bill and enter the cash (check) received on the debit side of the Cash-book. (See page 68.) The entries required in this transaction are exactly the opposite of those of Jan. 2.

- 5, Sold Wm. Wright, 407 Penn. Ave., on %, 350 bu. Wheat, 98¢, \$343.; 60 brls. Mess Pork, \$9.85, \$591. Total, \$934. (S. B.)

Make out the bill from the Order slip, and enter in the Sales-book as in the last entry. (See page 70.)

- 6, Bought from Wells & Ray for cash, 900# Cheese, 9½¢, \$85.50; 75 brls. Flour, \$5.75, \$431.25. Total, \$516.75. (J. & C. B.)

This transaction is similar to that of Jan. 2 and is treated in the same way. First enter the bill received in the Journal. Then write out the check, being careful to make out the stub first, subtracting the amount from the last balance. Then enter the check on the credit side of the C. B. The bill has just been receipted by Wells & Ray. (See references Jan. 2.)

Apply the General Laws, 64, 65 to all transactions.

Apply the General Law, 64, 65 to all transactions.

6. Paid cash for set of Books and Stationery purchased on commencing business, \$32.50. (C. B.)  
 This bill while dated Dec. 31 was not entered, being an expense item. Write a check for the amount, deducting it from the balance shown on the stub of the Check-book. Credit Cash in the Cash-book, debiting Expense. The bill has just been received by the Office Supply Co.
8. Received cash from Wm. Wright to apply on %, \$300. (C. B.)  
 This check is received in part payment of the bill sold Wm. Wright on Jan. 5. Debit Cash in the C. B., crediting Wright. (See Cash-book, page 68.)  
 Sold C. M. Russell & Co., 300 Fourth Ave., on %, 225 bu. Wheat, \$1.02, \$229.50; 175 bu. Oats, 89¢, \$68.25; 155# Cheese, 11¢, \$17.05. Total, \$314.80. (S. B.)  
 Make out the bill from the Order slip and enter in the S. B. This entry is treated exactly like that of Jan. 5.  
 Make out deposit slip of the two checks received, endorse them across the back as follows: "H. M. Grayson per \_\_\_\_\_," and deposit as instructed Jan. 1. Add the amount deposited to the last balance on the stub of the Check-book. (See check stub, page 72.)
9. Paid cash to Henry Smith in part payment of bill of 3d inst., \$450. (C. B.)  
 Write the check as instructed, deducting the amount from the balance which has been brought forward on the stub of the check. Enter on the credit side of the Cash-book, debiting Smith. (See Cash-book, page 69.)
10. Bought from J. A. Amsbaugh & Co., 116 Market St., on %, 2000# Rio Coffee, 13¢, \$260.; 20000# Sugar, 6¼¢, \$1250. Total, \$1510. (J.)  
 Enter this bill in the Journal exactly as you did that of Jan. 3, omitting the items but giving the date and terms of the bill.
11. Sold Chas. P. Wilson & Co., 412 Wood St., on %, 25 brls. Mess Pork, \$10.80, \$257.50; 200 bu. Wheat, \$1.08, \$206.; 446# Cheese, 10¼¢, \$46.83; 20 brls. Flour, \$6.10, \$122. Total, \$682.33. (S. B.)  
 Make out this bill from the Order slip and enter in the Sales-book. It is similar to the entry of Jan. 5, and is treated exactly like it.
12. Received cash from C. M. Russell & Co. to apply on %, \$150. (C. B.)  
 Debit Cash in the Cash-book and credit Russell & Co. (Refer to Cash-book, page 68.)
13. Sold Harry Arnold & Co., Richmond, Va., on %, 40 brls. Flour, \$6.08, \$243.20; 299# Cheese, 11¢, \$32.89; 800# Rio Coffee, 14¢, \$112. Total, \$388.00. (S. B.)  
 Refer to instructions of Jan. 11.
15. Paid cash to Harry Earle George, for rent of building for January, \$50. (C. B.)  
 Make out check for the amount of the rent and enter on the credit side of the Cash-book, debiting Expense.  
 Balance the Cash, footing the columns of the Cash-book in lead pencil. The balance in bank, shown on the stub of the Check-book, plus the cash (or checks) on hand, must equal the difference between the two sides of the Cash-book.
16. Bought from James Harris, 36 Eighth St., on %, 14150# S. C. Hams, 12¢, \$1698. (J.)  
 Refer to entry of Jan. 3.
17. Received cash from Wm. Wright in part payment of %, \$334. (C. B.)  
 Refer to entry of Jan. 8.
18. Bought from G. B. Dean & Co., Pittsburgh, Pa., for cash, 50 brls. Refined Petroleum, \$8.50, \$425. (J. & C. B.)  
 Refer to entry of Jan. 2.
19. Received cash from C. M. Russell & Co. to apply on %, \$100. (C. B.)  
 Refer to entry of Jan. 8.
20. Sold R. A. Young, Williamsport, Pa., for cash, 80 brls. Sugar, 16200#, 6¼¢, \$1098.50. (S. B. & C. B.)  
 Refer to entry of Jan. 4.
22. Received from Chas. P. Wilson & Co. their note at 15 days to apply on %, \$225.50. (B. B. & J.)  
 Enter this note first in the Bills Receivable book (see page 68), then in the Journal, making the entry the same as in the previous set. If you are uncertain as to the entry, refer to the former Journal entry.
23. Bought from James Harris on %, 372# Butter, 32¢, \$119.04; 300 doz. Eggs, 25¢, \$75.; 612# Cheese, 9¢, \$55.08. Total, \$249.12. (J.)  
 Refer to entry of Jan. 3.



Apply the General Law, 64, 65 to all transactions.

- 24, Gave J. A. Amsbaugh & Co. our note at 10 days to apply on %, \$500. (B. B. & J.)  
Write this note and then enter it in the Bills Payable book (see page 68), then in the Journal making the same entry as in the previous set. You can refer to that entry if necessary.
- 25, Paid cash to James Harris in full for bill of 16th inst., \$1698. (C. B.)  
Refer to entry of Jan. 9.  
Sold R. A. Walters, 785 Water St., on %, 850 bu. Corn, 46¢, \$161.; 240 doz. Eggs, 24¢, \$57.60.  
Total, \$218.60. (S. B.)  
Refer to entry of Jan. 5.
- 26, Bought from J. A. Amsbaugh & Co. for cash, 200 bu. Wheat, \$1., \$200.; 50 brls. Refined Petroleum, \$8.65, \$432.50. Total, \$632.50. (J. & C. B.)  
Refer to entry of Jan. 2.
- 27, Sold Dilworth Bros. 1060 Penn. Ave., on %, 60 doz. Eggs, 2½¢, \$15.; 612# Cheese, 10½¢, \$64.26; 872# Butter, 86¢, \$133.92; 8800# Sugar, 6¢, \$228; 200# Rio Coffee, 13¼¢, \$27. Total, \$468.18. (S. B.)  
Refer to entry of Jan. 5.  
Paid Henry Smith cash on %, \$600. (C. B.)  
Refer to entry of Jan. 9.
- 29, Received from Harry Arnold & Co. their note at 15 days to balance %, \$388.09. (B. B. & J.)  
Refer to entry of Jan. 22.
- 30, Sold Wells & Ray, Duquesne Way, on %, 1800# S. C. Hams, 15¢, \$270.; 305 bu. Oats, 45¢, \$137.25. Total, \$407.25. (S. B.)  
Refer to entry of Jan. 5.
- 31, Gave James Harris our note at 20 days in full of bill of Jan. 23, \$249.12. (B. B. & J.)  
Refer to entry of Jan. 24.  
Paid for Janitor's services to date, \$12.25. For coal for office use, \$6.50. Total, \$18.75. (C. B.)  
Refer to second entry of Jan. 6.  
Received cash from Dilworth Bros. to apply on %, \$200. (C. B.)  
Refer to entry of Jan. 8.  
Endorse all the checks on hand, make out a deposit slip, and deposit as heretofore. Add the amount to the last balance on the stub of the Check-book.

Balance the Cash as you were instructed Jan. 15. As you have deposited all the cash (checks) on hand the balance shown on the stub of the Check-book should equal the difference between the two sides of the Cash-book. If it does not, go over your work and find the error.

Inventory Jan. 31.—Merchandise, \$2968.25.

#### INSTRUCTIONS FOR POSTING, JANUARY.

Hereafter post from the Sales-book, Journal, and Cash-book in the order named.

(1.) Post all items from the Sales-book to the debit side of the Ledger accounts named. Then rule and foot the last page of the Sales-book and post the total footing to the credit of Merchandise. (232-236.) Place the letter "S" to the left of the page column in the Ledger.

(2.) Post the items from the Journal as instructed in previous sets, placing the letter "J" to the left of the page column in the Ledger.

(3.) All items appearing on the debit side of the Cash-book are posted to the credit side of the Ledger account named. All items appearing on the credit side of the Cash-book are posted to the debit side of the Ledger account named. Place the letter "C" to the left of the page column in the Ledger. Do not rule and balance the Cash-book until after you have taken a trial balance.

(4.) When it is desired to keep a cash account in the Ledger, post the total footing on the debit side of the Cash-book to the debit side of the cash account in the Ledger, and the total footing on the credit side of the Cash-book to the credit side of the cash account in the Ledger. To illustrate, Jan. 31, post the debit footing of the Cash-book, \$6513.40, to the debit side of the cash account in the Ledger and the credit footing of the Cash-book, \$5373.50, to the credit side of the cash account in the Ledger. The Cash-book and the cash account will then show exactly the same balance.

(5.) It is not the custom when the Cash-book is kept, to keep a cash account in the Ledger, as the Cash-book is in fact but the cash account with explanations added, kept under another cover, and therefore, the keeping of two accounts that are exactly alike in results seems a useless and unnecessary expenditure of time and labor.

## INSTRUCTIONS FOR CLOSING, JANUARY 31.

(1.) Check the Bill-books with the Bills Receivable and Bills Payable accounts, in order to see that all notes and acceptances have been properly recorded in the Bill-books and that the proper debits and credits have been made to those accounts in the Ledger. (See <sup>233</sup>c.)

(2.) When no Cash account is kept in the Ledger, foot the Cash-book and find the balance in pencil.

(3.) Next proceed to take a trial balance. As a preparatory step to this, go through your Ledger and rule all personal accounts, and Bills Receivable and Bills Payable at the point where they last balanced. (See <sup>146</sup>a and <sup>235</sup>a.) When no Cash account is kept in the Ledger, the balance of cash for the trial balance is taken from the Cash-book.

(4.) Make out a Balance Sheet. If your work is correct, it will show a net gain of \$288.28, and a net capital of \$4288.28. By referring to the old Ledger, you will find the net capital in the two sets of books the same, although the bookkeeping has been done on a different plan.

(5.) Close only accounts that show losses and gains. Be careful to bring down all Inventories on the opposite side of the accounts in which they occur.

(6.) When your trial balance is completed, balance the Cash-book and close it by ruling, as shown on pages 68, 69. Then bring down the balance.

(7.) Answer the "Business Man's Questions," page 59. See that all your papers are properly filed and arranged; then submit them, together with your books, to your teacher.

(8.) Lead pencil figures showing footings of columns, calculations, etc., in the Ledger and the other different books used, should never be erased. They should be made carefully and neatly with a sharp pencil so as not to disfigure the page.

If your work proves satisfactory, you are now ready to proceed with the month of February.

## SPECIAL INSTRUCTIONS.

FOR MAKING OUT THE BUSINESS PAPERS AND ENTERING THE TRANSACTIONS  
FOR FEBRUARY.—SET 8, CONTINUED.

As the papers for each transaction are made out to be delivered, make the proper entries in the different books. Post the transactions at the end of each ten days, *i. e.*, February 10, February 20, and February 28. A trial balance will not be taken until the end of the month.

Special instructions follow immediately after the more difficult transactions. No instructions are given for the simpler transactions or for those that you should be able to enter correctly by the help of the references in the margin.

## BUSINESS MEMORANDA, FEBRUARY.

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| See Jan. 8<br>72, 110  | 1, Received cash from R. A. Walters, in part payment of bill of Jan. 25, \$150. (C. B.)                                                                                                                                                                                                                                                                                                                                                |
| See Jan. 3<br>64, 65   | 2, Bought from Chas. P. Wilson & Co., on %, 80 brls. Flour, \$5.50; 100 bu. Corn, 85¢; 125 bu. Oats, 80¢; 1400 lbs. Lard, \$6.10 per cwt.; 80 brls. Apples, \$1.10. (J.)                                                                                                                                                                                                                                                               |
| See Jan. 5<br>65, 64   | 3, Sold Wm. Wright, on %, 25 brls. Refined Petroleum, \$9.50; 12 brls. Flour, \$5.90; (S. B.)                                                                                                                                                                                                                                                                                                                                          |
| See Jan. 9             | Paid Cash to J. A. Amsbaugh & Co., on %, \$150. (C. B.)                                                                                                                                                                                                                                                                                                                                                                                |
| See Jan. 22            | 5, Received from Wells & Ray, their note at 12 days on % of bill of Jan. 30, \$225. (B. B. and J.)<br>This note is first entered in the Bill-book, then in the Journal.                                                                                                                                                                                                                                                                |
| See Feb. 3<br>142a, 73 | 6, Sold S. S. Martin & Co., Liberty St., on %, 240 doz. Eggs, 28¢; 1200# Lard, \$6.80; 33 brls. Flour, \$6.08. (S.B.)<br>Paid my note of Jan. 24, favor J. A. Amsbaugh & Co., in cash, \$500. (C. B. and B. B.)<br>This check is first entered in the Cash-book, credit side, as follows: "Bills Payable. Paid note of Jan. 24." Then the following entry is made in the Remarks column of the Bills Payable book:<br>"Paid Feb. 6, ." |

- See Jan. 2** 7, Bought from Harry Arnold & Co., for cash, 14 brls. M. Pork, \$9.12½; 16 brls. Flour, \$5.80; 412# Dairy Cheese, 12½¢; 115 bu. Wheat, 90¢. (J. & C. B.)
- 64b, 65f** 8, Sold Merchants' Supply Co., for their note at 15 days, 7350# S. C. Hams, 15½¢; 200# Lard, \$6.82½; 800 lbs. Rio Coffee, 16¢. (S. B., B. B. and J.)
- This bill is entered in the Sales-book, as follows: "Merchants' Supply Co., Note at 15 days." Then make the usual entries in the Bill-book and Journal for the note received.
- See Jan. 4** 9, Sold Dilworth Bros., for cash, 20 brls. Apples, \$1.45; 700# Rio Coffee, 14½¢. (S. B. & C. B.)
- 72, 137d** Received cash from Chas. P. Wilson & Co., in full for their note of Jan. 22, due to-day, \$225.50. (C. B. & B. B.)
- This check is first entered in the Cash-book debit side as follows: "Bills Receivable. For note of C. P. Wilson." Then turn to the Bills Receivable book and enter in the Remarks column, "Paid, Feb. 9, 189 ."
- 64a, 80g** Sold J. A. Amsbaugh & Co. (and credited on bill, Jan. 10), 115 bu. Wheat, \$1.00. (S. B.)
- Amsbaugh & Co. are charged with this bill from the Sales-book the same as if sold on account.
- See Feb. 1** 10, Received cash from C. M. Russell & Co., in full of %, \$84.80. (C. B.)
- See Jan. 31** Paid cash for 1 ton of coal for office use, \$8.30. (C. B.)
- See Feb. 2** 12, Bought from J. A. Amsbaugh & Co., on %, 420# Mocha Coffee, 15¢; 200# Oolong Tea, 35¢; 18 Boxes Raisins, \$1.50; 800 lbs. Creamery Butter, 22¢. (J.)
- 64a, 71c** 13, †Paid cash to Henry Smith, in full for bill of Jan. 8. (C. B.)
- 14, Received cash from Dilworth Bros., on %, \$75.00. (C. B.)
- 15, Bought from Willis Bros., 8 Broadway, on %, 8200# G. Sugar, 6¼¢; 900# C. Sugar, 7¢; 365 gal. N. O. Molasses, 45¢. (J.)
- See Feb. 5** 16, Received from Wells & Ray, their note at 10 days, to apply on %, \$100. (B. B. & J.)
- Received cash from Wm. Wright, for balance due on bill of Jan. 5, \$300. (C. B.)
- See Feb. 9** †Received cash from Harry Arnold & Co., in payment of their note of Jan. 29. (C. B. & B. B.)
- 17, Sold Merchants' Supply Co., on %, 425 bu. Wheat, \$1.10; 125 bu. Oats, 35¢; 10 brls. Apples, \$1.50. (S. B.)
- 19, ¶Paid cash to J. A. Amsbaugh & Co., for balance due on bill of Jan. 10. (C. B.)
- See Feb. 9** 20, Received cash from Wells & Ray, for their note of Feb. 5, \$225. (C. B. & B. B.)
- 21, Sold James Harris, on %, 3 brls. Mess Pork, \$10.25; 30 bu. Corn, 38¢; 7 brls. Flour, \$6.10. (S. B.)
- See Feb. 6** 23, ‡Paid my note of Jan. 31, favor Jas. Harris, in cash. (C. B. & B. B.)
- See Feb. 8** 24, Sold Henry Smith, for his note 30 days, 800# Butter, 28¢; 110# Mocha Coffee, 17½¢; 4 Boxes Raisins, \$1.62½; 5 brls. Refined Petroleum, \$10.25. (S. B., B. B. & J.)
- See Jan. 15** 26, Paid cash for rent of building, for February, \$50.00. (C. B.)
- Sold Dilworth Bros., on %, 30 days, 810# Mocha Coffee, 19¢; 365 gals. N. O. Molasses, 55¢; 5000# Hams, 16¼¢. (S. B.)
- Received cash from Merchants' Supply Co., in payment of their note of Feb. 8. (C. B. & B. B.)
- See Jan. 24** 28, Gave Willis Bros. our note at 30 days in part payment of bill of Feb. 15, \$175. (B. B. & J.)
- Sold J. M. Reed & Co., Dover, Del., for their note at 60 days, 11 brls. Mess Pork, \$11.50; 412# Cheese, 10½¢; 9 brls. Flour, \$6.25; 3200# G. Sugar, 7½¢. (S. B.-B. B. & J.)
- 70b, 79e, 80g** Sold C. M. Russell & Co., for cash less 2% discount, 9 boxes Raisins, \$1.65; 70# Oolong Tea, 45¢; 20 brls. Refined Petroleum, \$9.25; Received cash \$226.72; Discount 2% \$4.63. (S. B. & C. B.)
- This bill is entered for the full amount in the Sales-book, debiting C. M. Russell & Co. Cash is debited in the C. B. for the full amount, crediting Russell & Co. Cash is credited for the discount as follows: "Merchandise, 2% on Russell & Co.'s bill." The difference between the two entries shows the net amount of Cash received.
- See Feb.** Bought from Jas. Harris, for cash, 2000# S. C. Hams, 12¢.
- † Refer to his account in the Ledger for the amount of this bill.  
‡ Find the amount of this note on the debit side of Bills Receivable account; also, in Bills Receivable book.  
¶ Refer to his account in the Ledger.  
‡ You will find the amount of this note on the credit side of Bills Payable account, also in the Bills Payable book.

## INVENTORY, FEB. 28.

2000# S. C. Hams, . . . . . at 12¢, \$240.

## INSTRUCTIONS FOR CLOSING FEBRUARY 28.

- (1). Follow instructions 1, 2 and 3 for closing, January 31, page 76.
- (2). Make out a Balance Sheet.
- (3). Close all accounts in the Ledger showing losses or gains. Of course, all accounts that balance themselves in the Ledger have already been ruled up, according to Instructions (3) in January. When your account is closed, it should show the same Net Capital as shown by the Balance Sheet. If your work is correct, your books will show a net gain of \$235.72, and a net capital of \$4524.
- (4). Answer the "Business Man's Questions," page 59.
- (5). File your business papers, see that your books are in good shape, and submit your work to the teacher.

As you progress in your work, each set should be neater and possess a more business-like appearance than the preceding one. You will be expected to raise your standard of excellence in penmanship as you proceed.

Be careful to *remember* a thing when you are told *once*.

Just at this point, it is especially important to you as a student that you should strive to cultivate self-reliance; and about this time, too, the first symptoms of ordinary laziness, if there are any in your make-up, will begin to manifest themselves. If you are able to discover any of these symptoms, take yourself in hand and put a stop to them. Better do that than have the teacher do it.

Still remember our previous instructions, "Don't scratch." Remember there is almost as much benefit to be derived from the business habits you acquire as from the instructions you receive in bookkeeping and the other branches.

Above all, be thoughtful, diligent, self-possessed, and clear-headed.

## INSTRUCTIONS FOR MAKING OUT THE BUSINESS PAPERS AND ENTERING THE TRANSACTIONS FOR MARCH.—SET 8, CONTINUED.

You will continue to prepare all the *outgoing* papers as you did in the month of February.

Refer frequently to the form of drafts given you, and carefully read over paragraphs 119 to 131, under the head of "Notes, Drafts and Acceptances," pages 33, 34, before beginning to write up the work of the month.

In writing business papers, exercise the utmost care in preparing them neatly. Be careful to write a uniform business-like hand without flourish and shading.

## MEMORANDA FOR MARCH.—SET 8, CONTINUED.

- |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 107g, 108o | <p>1, Received cash from Wells &amp; Ray, in payment of their note of Feb. 16. (C. B. &amp; B. B.)<br/> For amount see Bills Receivable book, Feb. 16.<br/> Sold J. A. Amsbaugh &amp; Co., for cash, 2000# S. C. Hams, at 12¢. (S. B. &amp; C. B.)</p>                                                                                                                                                                                                                                                 |
| 126b, 108p | <p>2, Bought from Henry Smith, 500 bu. Wheat, \$1.05; 250 bu. Western Corn, 42½¢. Gave cash in part payment, \$100. (J. &amp; C. B.)<br/> Smith's account is credited for the amount of the bill and debited for the cash paid. The difference shows the balance owing on the bill. The cash paid should be credited on the bill or a receipt given.</p>                                                                                                                                               |
| 107g, 108o | <p>Drew a draft at sight on Wm. Wright, and remitted it to J. A. Amsbaugh &amp; Co., to apply on bill of Feb. 12, \$150. (J.)<br/> In this draft H. M. Grayson is the drawer, Wm. Wright the drawee, and J. A. Amsbaugh &amp; Co the payee. It is not a Bills Receivable, and the transaction affects only Wright's and Amsbaugh &amp; Co.'s accounts.</p>                                                                                                                                             |
| 126b, 108p | <p>3, Received from Wm. Wright to apply on bill of Feb. 8, his draft on Bradford Bros., at 45 days' sight in our favor, which they have this day accepted, \$125. (B. B. &amp; J.)<br/> Wright is the drawer, Bradford Bros. the drawee, and H. M. Grayson the payee. Being in our favor it is, therefore, treated as a Bills Receivable. It would also be treated as a Bills Receivable had it not been accepted by the drawee, as the drawer is responsible for all the conditions of the draft.</p> |

- 107f, 143d 5, Accepted Willis Bros.' Draft at 15 days' sight, favor of Merchants' Supply Co., \$85.50. (B. B. & J.)  
Willis Bros. are the drawers, H. M. Grayson is the drawee, and Merchants' Supply Co. the payee. When Mr. Grayson accepted it, it became a Bills Payable.
- 81, 108k Bought from Woodworth & Co., Chicago, Ill., on %, 150 bu. Wheat, 82¢; 180 bu. Corn, 86¢; 210 bu. Oats, 24¢. (J.)
- 79f Paid cash for freight on the above invoice, \$28.75. (C. B.)  
Make the following entry in the Cash-book: "Merchandise, Freight on Woodworth & Co.'s invoice, \$28.75."
- 72, 79e, 108l 6, Received cash from James Harris in full for bill of Feb. 21, less 2% discount. Cash received, \$83.15. Discount 2%, \$1.70. (C. B.)  
Cash is debited for the full amount of the bill, \$84.85. This credits Harris' account in full. Credit Cash as follows: "Merchandise, 2% on Harris' bill, \$1.70." The difference between the two entries in the Cash-book shows the net amount of cash received.
- 72, 108p 7, Received from Chas. P. Wilson & Co. in full of account their draft at sight on Moore & Co., \$50.98. (C. B.)  
Sight drafts when in our favor are treated as cash. (See 69.)
- 107g, 108o 8, Drew a draft at 10 days' sight on Dilworth Bros., and remitted it to Henry Smith to apply on bill of March 2, \$275. (J.)
- 107e, 71a, 80k 9, Paid cash to Woodworth & Co., in full for bill of March 5, less Discount. Discount, 3%, \$7.15. Net proceeds paid in cash, \$281.05.  
This entry is just the opposite of that of the 6th. Credit Cash for the full amount of the bill which balances Woodworth & Co.'s account. Debit Cash for the discount as follows: "Merchandise, 3% on W. & Co.'s bill, \$7.15." The difference between the two entries in the Cash-book shows the net proceeds of the bill, the amount for which you write a check. On the stub of the Check-book enter the full amount of the bill to the left of the money column, then make the entry, "Discount 3%, \$7.15," and extend the difference into the money column. This is done so that you can make the correct Cash-book entry from the stub of the Check-book. This is an especially important point.
- Sold C. M. Russell & Co., % 30 days, 125 bu. Wheat, \$1.12½; 75 bu. Corn, 47½¢. (S. B.)  
Be careful to insert the terms "% 30 days" in the Sales-book.
- 10, Sold Wm. Wright for note at 60 days, 75 bu. Wheat, \$1.15; 60 bu. Corn, 48¢. (S. B., B. B. & J.)  
Received from S. S. Martin & Co., in full for bill of Feb. 6, cash, \$167.20, note at 10 days for the balance, \$180.59. (C. B.-B. B. & J.)  
Credit Martin & Co., in the Cash-book for the check received, and in the Journal for the note received, first entering the note in the Bill-book. In calculating count ½ cent or over, 1 cent.
- 12, Received from Dilworth Bros., to apply on %, their note at 60 days with interest, \$900. (B. B. & J.)  
The fact that this note is made with interest does not affect the entry when it is received.
- 13, Received from R. A. Walters in full of account his check which we endorse to Willis Bros., to apply on account, \$68.60. (C. B.)  
Debit Cash and credit Walters, and then credit Cash and debit Willis Bros., for the same amount. Then make the following endorsement on the back of the check: "Pay to the order of Willis Bros.," and sign Mr. Grayson's name.  
NOTE.—In the regular course of business, this check would be deposited to your credit at the Bank, and your check sent to Willis Bros. This transaction is given to show how to make proper entry under similar circumstances.
- See Mar. 2, 2nd entry 14, Remitted to Henry Smith our draft at sight on Dilworth Bros., to apply on %, \$150. (J.)
- 142a, 71e, 161j 15, Prepaid our note of Feb. 28, favor Willis Bros., due April 2, less discount to maturity. Discount, 18 days, 6%, 53¢. Paid net proceeds in cash, \$174.47. (C. B. & B. B.)  
Enter the face of the note on the stub of the Check-book, and then deduct the discount as on Mar. 9. Write the check for the net proceeds. Credit Cash for face of the note as follows: "Bills Payable Note of Feb. 28, less discount." For the discount, debit Cash as follows: "Interest and Discount, 18 days on note of Feb. 28, 53¢." The difference between the two entries equals the amount of the check given.
- 175b, 149b Paid cash for safe, \$125. Office desk and chairs, \$45. Gas bill, \$16.80. Janitor service, \$25. (C. B.)  
Be careful to look up references that you do not charge the above items to the wrong accounts.

- 16, Bought from J. A. Amsbaugh & Co., on %, 25 brls. Potatoes, \$2.25; 15 brls. Apples, \$3.50; (J.)
- 17, Sold Harry Arnold & Co., 180 bu. Corn, 42¢; 210 bu. Oats, 30¢. Received in part payment, cash \$85, note at 10 days, \$45. (S. B., C. B., B. B. & J.)
- Debit Arnold & Co. for the full amount from the Sales-book. On the debit side of Cash, credit them for the cash received, and in the Journal for the note received, first entering the note in the Bill-book.
- 18, Paid J. A. Amsbaugh & Co., for bill of the 16th, cash \$25., note at 10 days, \$83.75. (C. B., B. B. & J.)
- Debit Amsbaugh & Co., from the Cash-book for the cash paid, and from the Journal for the note given them, first entering in the Bill-book.
- 19, Received cash from Wm. Wright to balance %, \$38.30. From Dilworth Bros., \$40.33. (C. B.) (See 111a.)
- 142a 28, Paid our acceptance of March 5, favor of Merchants' Supply Co., in cash. (C. B. & B. B.)
- Received cash from S. S. Martin & Co., in payment of their note of March 10. (C. B. & B. B.)
- 107h, 108p 24, Received from Wells & Ray, to balance %, their draft at 8 days' sight, on Merchants' Supply Co., which has been accepted, and which we transfer by endorsement to Willis Bros., on %, \$82.25. (J.)
- This entry appears only in the Journal. Debit Willis Bros., and credit Wells and Ray, making a proper explanation of the transaction.
- 26, Paid cash to Willis Bros., in full of %, \$15.90. (C. B.)
- See Mar. 7 27, Received from Merchants' Supply Co., on %, their sight draft on James Potter & Co., \$450.
- 29, Received cash from Henry Smith, for his note of Feby. 24th, due to-day. (C. B. & B. B.)
- 160d 30, Wm. Wright prepaid his note of March 10, due May 12, less 43 days' discount at 6%, 82¢. Proceeds received in cash. (C. B. & B. B.)
- Debit Cash for the face of the note, and credit Cash as follows: "Interest and Discount," 43 days on Wright's note, 82¢.
- Received cash from Harry Arnold & Co., for note due to-day. (C. B. & B. B.)
- 160d Bradford Bros., prepaid their acceptance of March 8 for \$125, less discount to April 20. Proceeds received, \$124.56.
- To find the discount, deduct the proceeds from the face of the acceptance. Enter exactly as instructed for Wm. Wright's note prepaid to-day.
- 149a Paid rent for March, \$50. (C. B.)
- 31, Paid my note of March 18, favor of J. A. Amsbaugh & Co., due to-day. (C. B. & B. B.)

## INVENTORY FOR MARCH 31.

|                                  |                  |
|----------------------------------|------------------|
| 15 brls. Apples, . . . . .       | at 8.50, \$52.50 |
| 25 brls. Potatoes . . . . .      | at 2.25, 56.25   |
| 115 bu. Corn . . . . .           | at .36, 41.40    |
| 450 bu. Wheat . . . . .          | at 1.05, 472.50  |
|                                  | ————— \$622.65   |
| Furniture and Fixtures . . . . . | 170.00           |

## INSTRUCTIONS FOR POSTING AND CLOSING, MARCH 31.

(1). After you have completed the entries for March, it will be well for you to go over your work, carefully comparing each business paper with the entries made to see that everything is correct. Then post to the Ledger, observing the instructions in paragraphs 140b, 140b and 103a.

(2). Follow instructions 1, 2, 3, 4 and 5 for closing January 31, page 76. If your work is correct, your Balance Sheet will show the following: Total losses, \$92.03; gains, \$56.06; net loss, \$35.97; Net Capital, \$4488.03.

(3). Close and rule up all accounts showing losses or gains, using the Balance Sheet as a guide, being careful to bring down the Inventory of Merchandise on the opposite side of that account, after it is closed.

## EXERCISES IN MAKING BALANCE SHEETS AND STATEMENTS.

Make out Balance Sheets for the following statements taken from the Ledger:

Ex. 1. Harold Wayne, Proprietor, Dr. \$950, Cr. 6500; - - - Merchandise, Dr. \$5650, Cr. \$5890; - - - Cash, Dr. \$875; - - - Bills Receivable, Dr. 1490; - - - Personal accounts, Dr. \$4880, Cr. \$945; - - - Real Estate, Dr. \$9000, Cr. 8500; - - - Bills Payable, Cr. \$650; - - - Railroad Stock, Dr. \$1500, Cr. 1650; - - - National Bank Stock, Dr. \$1000; - - - Expense, Dr. \$700; - - - Commission, Cr. \$1618; - - - Interest and Discount, Dr. \$38, Cr. \$14; Drayage, Cr. \$66. Inventories.—Railroad Stock, \$200; - - - National Bank Stock, \$700. Interest due us, \$115; Rent due others on store, \$350. What is our present net capital. *Ans.* \$6065.

Ex. 2. H. M. Grayson, Proprietor, Dr. \$1600, Cr. \$2500; - - - Merchandise, Dr. \$4500, Cr. \$1800; - - - Cash, Dr. \$375; - - - Bills Payable, Cr. \$1475; - - - Bills Receivable, Dr. \$200; - - - Horse and Wagon, Dr. \$360; - - - Expense, Dr. \$1740; - - - Personal accounts, Dr. \$735, Cr. \$1960; - - - Commission, Cr. \$75; - - - Interest and Discount, Dr. \$190, Cr. \$82; - - - Mortgage Payable, Cr. \$1808. Inventories.—Merchandise, \$2450; - - - Horse and Wagon, \$200. Rent due us, \$80; - - - Commission due us, \$38; - - - Due others, \$76. *Ans.* Present Net Insolvency, \$1246.

Ex. 3. M. Grace, Proprietor, Dr. \$290; - - - Merchandise, Dr. \$298; - - - Bills Receivable, Dr. \$895; - - - Bills Payable, Cr. \$395; Interest and Discount, Dr. \$32, Cr. \$414; - - - Commission, Dr. \$391, Cr. \$1690; - - - Expense, Dr. \$347; - - - Personal accounts, Dr. 1350, Cr. 1890; - - - House and Lot, Cr. \$209. Inventories.—Merchandise, \$1986; - - - Notes on hand, \$850;\* - - - Interest and Discount due us, \$97; - - - Due others, \$12; - - - Commission due others, \$23; - - - 10% discount allowed for bad debts;† - - - Interest due others on personal accounts, \$11; - - - Due us, \$388. What is net capital? *Ans.* \$2600.

Ex. 4. Harry M. Rowe, Jr., Proprietor, Dr. \$3200, Cr. \$19000; - - - Earle W. Rowe, Proprietor, Dr. 1600, Cr. 19000; - - - Merchandise, Dr. \$4985, Cr. \$4800; - - - Wheat account, Dr. \$6844, Cr. 6612; - - - Oats account, Dr. \$3760, Cr. \$4296; - - - Corn account, Dr. \$8196, Cr. 8818; - - - Rye account, Dr. \$4665, Cr. \$4418; - - - Expense, Dr. \$4728; - - - Elevator account, Dr. \$8500, Cr. 2760; - - - Freight account, Dr. \$1237.50; - - - Storage, Dr. \$116, Cr. \$1839.45; - - - Grist Mill account, Dr. 14000; - - - Grist Mill Repairs, Dr. \$986, Cr. \$54; - - - Grist Mill Labor account, Dr. \$2285; - - - Grist Mill Flour account, Dr. \$18000, Cr. \$20698; - - - Grist Mill Bran and Feed account, Dr. \$3846; Cr. \$5987.50; - - - Grist Mill Machinery account, Dr. \$6459.36; - - - Accounts Receivable, \$916; - - - Bills Receivable, \$7469.09. Inventories.—Merchandise, \$412; - - - Wheat, \$560; - - - Oats, \$812.70; - - - Elevator, \$8000; - - - Freight Bills unpaid, \$71.80; - - - Elevator charges due us and not paid, \$87.37; - - - Grist Mill has increased in value 20%; - - - Allow 15% on Machinery for wear and tear. What is the net capital of the proprietors?

*Ans.* Harry M. Rowe, Jr., \$19488.16; Earle W. Rowe, \$21088.16.

Ex. 5. M. G. Nilan and V. G. Johnston are partners in business. Their Ledger stands as follows at the close of the year's business: M. G. Nilan, Proprietor, Cr. \$10200; - - - V. G. Johnston, Proprietor, Cr. \$9700; - - - Merchandise, Dr. \$139000, Cr. \$146000; - - - Inventory, \$12844; - - - Cash, Dr. \$5900; - - - Bills Receivable, Dr. 18400; - - - Personal accounts, Dr. \$16810; - - - Bills Payable, Cr. \$4535; - - - Accounts Payable, \$826; - - - Loss and Gain account, Dr. \$856, Cr. \$1520; - - - Interest and Discount, Dr. \$480, Cr. \$950; - - - Commission, Cr. \$4360; - - - Expense, Dr. \$2645; Mortgages Payable, Cr. \$5869; - - - M. G. Nilan, Private, Dr. \$2658; - - - V. G. Johnston, Private, Dr. \$3216. They find that they have made partial sales from consignments received for which no Account Sales have been rendered, on which they have earned a commission of \$347.80.‡ There is also \$214 interest due on Bills Receivable. By the articles of agreement each is to receive a salary of \$2500 a year to be credited to their private account, which entry is not yet made. They also allow 10% on personal accounts receivable for bad debts.† M. G. Nilan is to receive  $\frac{2}{3}$  of the net profit and V. G. Johnston  $\frac{1}{3}$ . Required their present net capital.

*Ans.* { M. G. Nilan's Present Net Capital, \$20744.28.  
V. G. Johnston's Present Net Capital, 16729.52.

\*Note on hand for \$45 is worthless.

‡Resource Inventory.

†When a certain per cent. is allowed off for bad debts, it is entered as a Liability Inventory on the debit side of Loss and Gain account after all other accounts showing losses and gains have been closed into it. After the Loss and Gain account is closed, it is then brought down on the opposite side of the account.

## SHIPMENTS AND CONSIGNMENTS.

**239.** When goods are shipped to be sold on commission, there are two parties to the transaction. They are known as the Consignor and the Consignee. The party making the shipment is the *Consignor*, and the party to whom the shipment is made is the *Consignee*. The consignee does not purchase the goods from the consignor, but simply receives them as the consignor's *agent* and at his risk.

<sup>239a</sup>. When the consignee sells the goods, he deducts a certain percentage on the *total sales* as his commission, and also such other *charges* as may be incurred in effecting the sale of the goods. The difference belongs to the consignor, and is known as the *Net Proceeds*. As soon as the goods are sold, the consignee immediately becomes indebted to the consignor for the amount of the net proceeds, which should be remitted in cash or credited to the consignor, by the consignee. In either case, the consignee renders the consignor a statement, which is termed an *Account Sales*, showing in detail the sales, charges, and the net proceeds.

The consignor's account is known as a "Shipment," and the consignee's is known as a "Consignment."

## SHIPMENT ACCOUNTS.

**240.** *The object* is to record our dealings with "agents" or "commission merchants" to whom we ship goods for sale on commission,—that is, for our account and risk.

**241.** There are several methods of handling this class of accounts, only one of which will be considered at this time. By this method the Shipment account is treated the same as any other property account. It is debited for all costs and charges incurred when the goods are shipped and credited for what it produces when account sales are received, and shows when closed, a gain or a loss.

<sup>241a</sup>. When account sales are received when but a part of the goods are sold, those remaining unsold in the hands of the consignee are treated as an Inventory to the Shipment account exactly as in the Merchandise account (83-84).

**242.** In addition to the title "Shipment," the account takes also the name of the person and place to which the goods are shipped, as, "Shipment to Smith & Co.—Richmond, Va." When two or more shipments are made to the same person or firm, the accounts with them are distinguished thus, "Shipment to Daniel State & Co. (New York) #1," "Shipment to Daniel State & Co. #2," etc.

**NOTE.**—The Shipment and Consignment accounts introduced in this set are purely incidental, and the manner in which they are kept is not intended to illustrate the best methods of keeping these accounts in a regular commission business, but rather to make you familiar with the principles of debit and credit involved and to show the manner in which a few accounts of this kind are kept in the books of an ordinary mercantile business. In the regular commission set introduced later, the best forms embracing the latest ideas will be fully explained and illustrated.

From the above and from the General Law (64-67), we deduce the following for debiting and crediting

### SHIPMENTS.

#### 243. *Debit*—the Shipment.

- a. For the invoice (generally the cost) value of the goods shipped.
- b. For all costs in the way of drayage, freight (prepaid), insurance, etc.

#### 244. *Credit*—the Shipment.

- c. For all returns (net proceeds) when Account Sales are received.
- d. For all goods returned for which the Shipment had been previously debited.
- e. For all drafts drawn or other advances received on account of the Shipment.
- f. To close the account before all the goods are reported sold to ascertain the loss or gain, enter on this side (in red ink) the value of the goods unsold, using the word "Inventory."

### SUMMARY.

**245.** *Debit*—the Shipment for what it costs. (See 66.)

**246.** *Credit*—the Shipment for what it produces. (See 67.)



**247. The difference** between the two sides of the account shows a gain or loss, and is closed into the Loss and Gain account. When the goods are not all sold, the Inventory is treated in the same manner as in the Merchandise account. (See 80m.)

#### REQUIRED LEDGER SPECIFICATIONS FOR THE FOLLOWING.

No. 1. Shipped H. M. Grayson & Co. merchandise for sale on our account and risk, \$765. Received Account Sales. Net proceeds received in cash, \$985.

#### ILLUSTRATION.

##### SHIPMENT TO H. M. GRAYSON & Co.

|                           |     |  |                      |     |  |
|---------------------------|-----|--|----------------------|-----|--|
| Mdse. (shipped),          | 765 |  | Cash (Net proceeds), | 985 |  |
| Loss and Gain (to close), | 220 |  |                      |     |  |
|                           | 985 |  |                      | 985 |  |

No. 2. Shipped Henry Danvers & Co. merchandise for sale on our account and risk, \$960. Received Account Sales. Net proceeds in cash, \$787.50.

No. 3. Shipped M. Grace & Co. for sale on our account and risk merchandise, \$2480. Received Account Sales. Net proceeds placed to our credit, \$1750. Inventory reported as unsold, \$1125.

No. 4. Shipped Kennedy & Richards merchandise for sale on our account and risk, \$825. Made draft on them at 80 days on account of the shipment, \$150. They report to us that a part of the consignment was destroyed by fire. Received Account Sales showing net proceeds \$26. We accept their draft at 80 days' sight for the amount we owe them.

### CONSIGNMENT ACCOUNTS.

**248. The object** is to record our dealings as "agents" or "commission merchants" with persons who ship us goods to be sold on commission—that is, for their account and risk. They are debited for all outlays that are made on account of the consignment when received, such as freight, drayage, etc., and when Account Sales are rendered, for our commission, for insurance, storage, etc., and for the net proceeds. They are credited for all sales.

**NOTE.**—Your attention is called especially to the fact that consignment accounts are not debited for the cost of goods when received, because they yet belong to the consignor, and are simply in your hands as agent or commission merchant.

**249. Consignment accounts** (or "Commission Sales" as they are called by most commission merchants) may appear, at first thought, to belong to the property class of accounts. But on closer consideration you will find that they are, in reality, personal accounts. When an agent receives goods to sell on commission, he does not in any sense buy them; and when he expends money upon them in payment of freight, drayage, etc., and charges the consignment, he does so, it is true, with the idea that the property received is "good for it" and with the expectation that he will get his money back from the proceeds of sales, but, nevertheless, with a knowledge of the fact that the consignor (shipper) is personally responsible to him (the agent) for all such expenditures and also his charges (commission) for selling. On the other hand, the consignor looks to the consignee (agent) as being personally responsible to him for the goods while in his possession, as well as for any proceeds that the consignment may net him.

In fact, however, a change takes place in the relations existing between the consignee and the consignor the moment the goods are sold. Prior to that time the consignee is not responsible for the value of the goods and could not be held responsible for any loss that might occur so long as he exercises ordinary diligence in their care, but the moment the goods are sold the consignee becomes directly indebted, and is personally responsible to the consignor for the value of the goods, after his charges have been deducted. Even if he sells the goods on credit and the party to whom he sells should fail, he is still held responsible to the consignor. He may, however, deduct a certain percentage for taking such risk, unless the consignor instructed him to sell for cash.

<sup>249a.</sup> In addition to the word "Consignment" or ("sales") these accounts take the name and address of the consignor (shipper); as "Parker's Consignment, Pittsburg, Pa." When two or more consignments are received from the same person, separate accounts are kept, and they are designated as "Parker's Consignment, #1, #2," and so on.

From the foregoing and from the General Law (64-67), we deduce the following for debiting and crediting

## CONSIGNMENTS.

**250. Debit—the Consignment.**

- a. *At the time received*, for all charges paid, such as freight, drayage, etc.
- b. *When on hand*, for all charges for cooperage, boxing, bagging, repacking, advertising, or other charges necessary for the preservation, or for effecting the sale of the goods.
- c. For all goods returned to us after having been sold and credited to the Consignment, and for "shortage," "damage," or "overcharge" claims allowed on goods previously sold.
- d. For all drafts accepted or paid, or other "advances" made on account of the Consignment.
- e. *After the goods are sold*, for our charges, such as insurance, storage, commission, guarantee, etc.
- f. For the consignor's net proceeds remitted with the "Account Sales," or carried to his credit in the Ledger.

**251. Credit—the Consignment.**

- g. For all sales of goods belonging to it.
- h. For rebates from the railway or transportation company for overcharges on freight previously paid.
- i. When the charges exceed the total sales, for the amount to close the account (debited to the consignor).

## SUMMARY.

**252. Debit—the Consignment** for all charges when received, and while on hand, for all subsequent charges when Account Sales are rendered, and for the net proceeds.

**253. Credit—the Consignment** for all sales of goods belonging to it.

**254.** The Consignment account should balance when Account Sales are rendered. The difference at any other time shows a resource or a liability the same as a personal account. (See 111.)

## REQUIRED THE LEDGER SPECIFICATIONS FOR THE FOLLOWING.

No. 1. Received from McWilliams, Chicago, invoice of Mess Pork for sale on their account and risk. Paid freight, \$42. Total sales, \$800. Rendered Account Sales. Storage, \$8. Commission, 4%. Remitted Net Proceeds in cash.

## ILLUSTRATION.

## McWILLIAMS &amp; Co.'s CONSIGNMENT NO. 1, CHICAGO.

|                      |     |  |        |     |
|----------------------|-----|--|--------|-----|
| Freight,             | 42  |  | Sales, | 800 |
| Storage,             | 8   |  |        |     |
| Commission (4%),     | 32  |  |        |     |
| Cash (Net Proceeds), | 718 |  |        |     |

No. 2. Sold merchandise for account and risk of Chas. A. Parker, Pittsburg, Pa. Paid freight and cartage, \$80. Total sales, \$1100. Rendered Account Sales. Storage, \$14. Commission, 2%. Inventory of goods on hand, \$75.\* Remitted Net Proceeds in cash.

No. 8. Received merchandise from F. H. Doughty, St. Louis, Mo., for sale on his account and risk. Paid freight, \$50. Accepted his draft on account of shipment, \$900. Total sales, \$1800. Rendered Account Sales. Storage, \$68. Commission, 5%.

No. 4. Received merchandise from Lloyd Bros., Cincinnati, O., for sale on their account and risk. Paid freight and cartage, \$230. Accepted their draft at 30 days' sight, \$2200. Total sales, \$1460. Rendered Account Sales. Storage, \$90. Drayage, \$30. Commission, 5%.

No. 5. Received merchandise from Lyon & Hastings, Harrisburg, Pa., for sale on their account and risk. Paid freight, \$37.50. Paid cooperage, \$9. Total sales, \$1735. Allowed for damaged goods returned, \$27.50. Allowed for "shortage" on sales affected, \$6.75. Rendered Account Sales. Insurance, ½%. Storage, \$62. Commission, 5%. Net proceeds placed to their credit.

\* Memorandum on Account Sales only.

## PRIVATE ACCOUNTS.

**255.** In addition to the proprietor's or partner's account, which shows his capital invested in the business or his withdrawals of capital from the business, a separate account should be kept with the proprietor or each partner, in which should be entered all such items as arise from their purely personal relations with the firm. These accounts are indicated by writing the name of the proprietor or partner, followed by the word "Private," and are debited and credited exactly as an ordinary personal account. (See 199-201.)

<sup>255a.</sup> Private accounts are debited (*a*) for all sums withdrawn for private use, whether in cash, merchandise, or other property belonging to the firm, and (*b*) for any private debts paid by the firm. They are credited (*c*) for any cash paid into the firm which is not to apply on the capital account, and (*d*) for any stated salary received from the business, or for any of the firm's debts assumed and paid from private funds.

<sup>255b.</sup> The private account is sometimes debited or credited with the net gain or loss at the time of closing the books, but this is not the best practice, as the net gain or loss should ordinarily be closed into the capital account, except as indicated in <sup>255c.</sup>

<sup>255c.</sup> When no stated salaries are allowed the partners and their withdrawals of cash for private use is to be taken from their share of the profits, it is customary and proper to transfer their share of the net gain or loss to their private accounts, or such portion of it as may be necessary to offset the amount of cash withdrawn, in which case any remaining profits may be transferred to the proprietor's or partner's capital account.

<sup>255d.</sup> The difference between the two sides of a private account will show either a resource or a liability, and may be closed the same as an ordinary personal account, (<sup>111a.</sup>) or it may be closed into the capital account. This is determined entirely by the wishes of the proprietor or partner, unless its disposition is indicated by the agreement between the partners.

## BRANCH STORE ACCOUNT.

**256.** When one or more branch stores are run in connection with the business, an account should be kept with each of them in the Ledger of the main store. The titles of these accounts should designate the location of the branch stores, as "East End Store," "Madison St. Store," etc. The branch store account is treated the same as the Merchandise account, being debited for what the store receives from or on account of the main store, and credited for all returns to the main store. At the time of closing the books, the branch store is credited for the Inventory reported from the branch store, and the account is then closed into Loss and Gain.

**NOTE.**—This account has been treated in various works on accounting widely circulating among bookkeepers as well as schools, in the same manner as a personal account. This is entirely erroneous inasmuch as there is no difference between this account and that of a special merchandise account. (See 96.) When treated as a personal account, the difference between the two sides of the account at closing, would be represented as being due as a debt when in reality it shows the amount of the net gain or loss resulting from the business, after the Inventory has been entered which shows the amount of goods actually in our possession. Therefore, this plan must be discarded as illogical and a perversion of the facts.

### BRANCH STORES.

#### 257. *Debit* Branch Store—

- a.* For all goods or money furnished them from the main store.
- b.* For all goods bought for them or by them for our account and sent direct to the store.
- c.* For all outlays for improvements, furniture and fixtures, taxes, drayage, insurance, rents, salaries, etc.

#### 258. *Credit* Branch Store—

- d.* For all cash,\* notes, acceptances, accounts, etc., they turn over to the main store.
- e.* For all merchandise or other property they return to the main store after it has been charged to them.

**259.** The difference between the two sides of a Branch Store account after the Inventory (if any which is a resource) has been added to the credit side, will show a loss or a gain,—a gain when the *credit* side is the larger; a loss when the *debit* side is the larger.

<sup>259a.</sup> To close a Branch Store account, see <sup>101a.</sup>

\*Where branch stores are located a considerable distance from the main store, as a matter of convenience the cash received is sometimes deposited in a bank other than the one in which the account with the main store is kept. When such is the case, it is deposited in the name of the firm, and is subject to their check. This does not in any way affect the manner of keeping the accounts, except that a different check-book and bank-book are kept, and when Cash is balanced, the balance in this bank must be added to that in the regular bank of the firm.

**260 Use of Explanation-Column in the Ledger.**—This column was formerly used by bookkeepers to indicate the account or accounts that were debited or credited on the opposite side of the Ledger; but inasmuch as this work is entirely unnecessary in nearly every case, it is now generally omitted. However, there are times when a brief explanation of an item when it is posted will greatly assist the bookkeeper later on in his work. For instance:

<sup>260a.</sup> In the Bills Receivable and Bills Payable accounts, the time and due date of each note received or issued may be entered in this column; and when no Bill-books are kept, this should always be done. From these explanations, the bookkeeper can readily see when notes mature and are due without referring to the Journal or other book of original entry.

<sup>260b.</sup> As indicated in the "Instructions for Entering April Transactions," under April 2 (see page 87), the terms of bills purchased or sold on account may also be indicated in the explanation-column in the Ledger in the same manner they were entered in the Bills Receivable and Bills Payable accounts.

<sup>260c.</sup> In any personal or other account, where a detailed statement of account is rendered, if the nature of each item is indicated in the Ledger, it will greatly facilitate the making out of this statement.

<sup>260d.</sup> Many bookkeepers indicate in the Expense account what each item is debited for. The judgment of the bookkeeper and the necessities of each particular business and account must decide when it is advisable to make such explanations.

#### APRIL.—SET 8, CONTINUED.

**Special Features.**—Admission of a Partner; Opening of Partners' and Private Accounts; Introduction of Shipment and Consignment Accounts; The use of Invoices and Account Sales with transactions illustrating a Shipment and Consignment business incidental to the regular business heretofore conducted.

The business will be continued by the admission of the partner, who invests in cash an amount equal to H. M. Grayson's Net Capital. He will share equally in gains and losses, and devote his whole time and attention to furthering the interests of the business, the firm name to be *H. M. Grayson & Co.*

**NOTE.**—In the preparation of co-partnership papers, it is advisable to secure the services of a lawyer, or at least to have his opinion as to their correctness.

#### INVOICE OF SHIPMENT.

*Baltimore, April 2.*

*Invoice of Merchandise shipped Lee Bros. & Co. 312 Chestnut St. Philadelphia, Pa. for sale on acct. of H. M. Grayson & Co.*

|  |  |                          |             |              |  |  |
|--|--|--------------------------|-------------|--------------|--|--|
|  |  | <i>25 bbls. Potatoes</i> | <i>2.25</i> | <i>56.25</i> |  |  |
|--|--|--------------------------|-------------|--------------|--|--|

#### ACCOUNT SALES.

*Baltimore, April 4.*

*Account Sales of Merchandise received April 2.*  
*by H. M. Grayson & Co. for a/c. of Post & Gale Phila. Pa.*

|                |                       |            |             |  |               |
|----------------|-----------------------|------------|-------------|--|---------------|
| <i>April 4</i> | <i>30 bbls Apples</i> | <i>\$4</i> |             |  | <i>120</i>    |
|                | <i>Charges</i>        |            |             |  |               |
| <i>2</i>       | <i>Freight</i>        |            | <i>7.00</i> |  |               |
|                | <i>Commission 3%</i>  |            | <i>3.60</i> |  | <i>11.20</i>  |
|                | <i>Net Proceeds</i>   |            |             |  | <i>108.60</i> |

## INSTRUCTIONS.

1. In this month, proceed exactly as you were instructed by your teacher, for January, February and March, except that if you are writing up the business papers, you will prepare the papers for one day at a time,—that is, prepare the papers for April 2, and then make the entries in your books for that day. Then prepare the papers for April 3, and make the entries in your books.

If you are preparing the incoming papers, omit the items, but enter the total as follows: Mdse. \$.....

2. When you have completed the entries for each day's business, post and check to the Ledger, before proceeding to write up the papers and entering the transactions for the next day.

3. Open an account with Earle Winthrop in the centre of page 1 in the Ledger as follows: "Earle Winthrop, Partner." Refer frequently to your instructions for entering transactions. "Be sure you are right, then go ahead."—*Davy Crockett*.

Following are the resources and liabilities of the business on March 31. They are inserted here for those who may wish to begin the set at this point, either as a supplementary drill or otherwise.

## RESOURCES &amp; LIABILITIES.

|                                            |      |    |      |    |
|--------------------------------------------|------|----|------|----|
| Cash. Per C. B., . . . . .                 | 2805 | 01 |      |    |
| Mdse. Inventory, . . . . .                 | 622  | 65 |      |    |
| C. M. Russell & Co., . . . . .             | 178  | 28 |      |    |
| Harry Arnold & Co., . . . . .              | 58   | 60 |      |    |
| Bills Receivable, . . . . .                | 1254 | 01 |      |    |
| Merchants Supply Co., . . . . .            | 78   | 25 |      |    |
| Furniture & Fixtures. Inventory, . . . . . | 170  |    |      |    |
| Henry Smith, . . . . .                     |      |    | 108  | 25 |
| J. A. Amsbaugh & Co., . . . . .            |      |    | 68   | 50 |
| H. M. Grayson, Prop., . . . . .            |      |    | 4488 | 08 |

## MEMORANDA FOR APRIL.

## APRIL 1.

- 180, 204 Received cash from Earle Winthrop for his investment as per Articles of Agreement, \$4488.08. (C. B.)  
Winthrop's check is entered on the debit side of the Cash-book, the same as the original investment of H. M. Grayson, Jan. 1.

## APRIL 2.

- 81, 110 Bought from M. Grace & Co., 204 Broadway, New York, merchandise per bill of March 25,  $\frac{5}{10}$ , n/60,\* \$856.50. (J.) (See 284.)  
Enter this bill in the Journal, being careful to give the address, date, and terms of the bill, but omitting the items (284). In making references in your books, this bill will hereafter be spoken of as the bill of April 2, but in reality it is the bill of Mar. 25, and in calculating the due date, it must be reckoned from that time. See foot note page 88.  
When you post this entry to Grace & Co.'s account in the Ledger, in the explanation column enter the following: "March 25,  $\frac{5}{10}$ , n/60." These are the terms of the bill abbreviated, and are placed in the Ledger, so that you can readily refer to them to determine when you must remit in order to secure the discount, or when the bill becomes due. You will observe the same practice hereafter for all purchases of merchandise.

- 100, 82 Sold R. A. Walters on % 20 days, 15 brls. Apples, \$4.50; 175 bu. Corn, 42¢; 100 bu. Wheat, \$1.15. (S. B.) (See 282.)

When it is desired, the terms may be entered in Walters' account as in the account of Grace & Co., preceding. Usually this is not done, unless the terms of the sale are different from the regular terms.

\*The terms  $\frac{5}{10}$ , n/60 translated means that the terms of the bill are, 5% off if paid within 10 days, and that the bill is due at the end of 60 days for the full amount. For instance, if the check is remitted to reach Grace & Co. before the expiration of 10 days after March 25, 5% discount may be deducted. If it is paid after 10 days and before the expiration of 60 days, the face of the bill must be remitted. If it remains unpaid at the expiration of 60 days, interest will be charged for any time it remains unpaid thereafter.

## APRIL 2, CONTINUED.

- 154 Paid freight and cartage in cash, \$17.95. (C. B.)  
 Charge this to "Freight" account instead of to Merchandise, as heretofore. Hereafter, charge this account with all freight, cartage, etc., on our own purchases.
- 243a, b, 82  
 73 Shipped Lee Bros. & Co., 812 Chestnut St., Phila., to be sold for our account, 25 brls. Potatoes, \$2.25. Paid drayage in cash, \$2.50. (S. B. & C. B.) See Invoice of Shipment, page 86.  
 Debit "Shipment to Lee Bros. & Co." instead of Lee Bros. & Co.'s personal account, also debit the Shipment for the drayage.
- 245, 82 Shipped Beck, Boggs & Co., 87 Canal St., New York, to be sold for our account, 850 bu. Wheat, \$1.05. (S. B.)  
 See previous entry.
- Received cash from Merchants' Supply Co., in full of account. (C. B.)

## APRIL 3.

- Received the following bills of goods: Woodworth & Co., 1 carload Oats, bill March 28, n/30, \$120. Kennedy & Richards, 18 Courtland St., New York, bill of March 30, 1/10, n/30, \$1437.83. M. Grace & Co., bill March 30, n/30; \$913.12. (J.)
- These bills are entered together, not separately, making the entry in the Journal as follows placing the amount of each bill in the credit column:
- Merchandise—for the following bills:
- |                     |                               |         |
|---------------------|-------------------------------|---------|
| To Woodworth & Co., | Bill of March 28, n/30,       | \$ 120. |
| Kennedy & Richards, | Bill of March 30, 1/10, n/30, | 1437.83 |
| M. Grace & Co.,     | Bill of March 30, n/30,       | 913.12  |
- Now add the three amounts in the credit column of the Journal together, and place the sum opposite the Merchandise debit in the debit column. This will save the posting of two items to the Ledger. Hereafter, when more than one bill is purchased on the same day, enter in this way.
- 154 Paid freight on the above bills, \$38.47. (C. B.) (Charge to Freight account.)
- 250a Received from Post & Gale, Phila., Pa., Invoice of 80 brls. Apples for sale on their account and risk. Paid freight and cartage, \$7.80. (C. B.)
- This is the first consignment you have received, and will be known as "Post & Gale's Consignment." No entry whatever is made of the 80 brls. of Apples. They are in your hands simply as their agent. In the Cash-book, debit P. & G.'s Consignment for the freight and cartage paid.
- Sold H. A. Goodman, Market St. on %, 5 brls. G. Sugar, 1305#, 7¢; 8 bags Rio Coffee, \$590#, 15¢; 360# S. C. Hams, 12¼¢; 8 cases Lard, 285#, 9¼¢. (S. B.)
- The terms of all bills sold on account are understood to be net 80 days, unless otherwise specified. The terms of discount will vary, but will be indicated to you in the different transactions.
- Sold Wells & Ray, 1/10, n/30, 400 bu. Oats, 41¢; 9 brls. M. Pork, \$11.25. (S. B.)
- Paid M. Grace & Co., bill of April 2, less 5% discount. (C. B.)
- See entry of March 9. Credit "Merchandise Discount" for the 5% deducted on the bill.
- 151 Paid rent for April, \$50. Stamps and Stationery, \$3.50. (C. B.)

## APRIL 4.

- 100, 251g Sold J. A. Amsbaugh & Co. on % 10 days, 80 brls. Apples belonging to Post & Gale's Consignment at \$4. (J.)
- As these goods belong to Post & Gale's Consignment, this bill must not be entered in the Sales-book, because Merchandise would then be credited. Instead, make the entry in the Journal, crediting "P. & G.'s Consignment." Make the entry as follows:
- |                               |                       |        |      |
|-------------------------------|-----------------------|--------|------|
| J. A. Amsbaugh & Co.,         | @ 10 days,            | \$120. |      |
| To Post & Gale's Consignment, | 80 brls. Apples, \$4, |        | 120. |
- As instructed (234), it is unnecessary to enter the items of the bill in the Journal, but you must be careful to enter the *date of the bill* in the Journal entry, as that is the date on which the transaction really occurred, and from which the date of maturity, or the limit of time to secure a discount, must be calculated. Therefore, in posting to the personal account in the Ledger, insert the date of the bill and the terms. On the other hand, however, for purposes of ready reference, the bill is always referred to thereafter under the date in which it is entered in your books. For instance, the bill received from M. Grace & Co., April 2, dated March 25, for \$856.50, is referred to when paid April 3, as "Bill of April 2," and not as a bill of March 25. (See 1st entry April 2.)
- It is the custom in many houses to keep a *Merchandise Bills Register*, which is in form much like the ordinary Bills Receivable book. In it is entered the "date of the bill," "from whom purchased," "terms," "when due," and the "amount," with a special column for "Remarks," in which is entered the date of payment, with the amount of the check remitted. With others it is the custom to enter each bill purchased separately, in the Merchandise account, entering in the explanation column, the date of the bill, terms, and from whom purchased. If either of these customs is followed, the terms may be omitted in the personal account.

## APRIL 4, CONTINUED.

Sold Kennedy & Richards, New York,  $\frac{1}{10}$ ,  $\frac{1}{100}$ , 15 brls. M. Pork, \$12.; 100 kegs 10a Nails, \$2.25; 40 brls. Flour, \$6.12 $\frac{1}{2}$ . (S. B.)

Sold Merchants' Supply Co., for note 60 days, 30 hlf. Chests Y. H. Tea, 35# ea. at 45¢; 15 brls. Flour at \$5.75; 3 brls. C. Sugar, 620# at 6 $\frac{1}{4}$ ¢. (S. B., B. B., & J.)

250e, 168e  
250f Rendered Account Sales of Post & Gales' Consignment. Total Sales, \$120. Commission 8%, \$3.60. (J.) Net proceeds by check, \$108.60. See Account Sales, page 86.

Refer to the form of the Account Sales, page 87. For the commission, make a Journal entry, debiting P. & G.'s Consignment. You will notice that the freight charges were also deducted, but no entry is made for this charge at this time, as it was charged to the account when the goods were received. Now debit P. & G.'s Consignment in the C. B. for the Net Proceeds, \$108.60, for which check is remitted. When posted, these entries should close the account.

157-158, 160d, 137  
161h Dilworth Bros., prepaid their note dated Mar. 12, at 60 days with interest. Interest for 63 days, \$8.40. Discount 40 days on \$308.40 at 6%, \$5.89. (C. B. & B. B.)

Refer to the laws governing these accounts, as indicated in the margin. This transaction appears only in the Cash-book, except the entry in the remarks column in the Bill-book. Debit Cash to "Bills Receivable" for the face of the note; and to "Interest and Discount" for the interest. Credit Cash and debit "Interest and Discount" for the discount. The face of the note plus the interest, less the discount equals the amount of the check you should receive.

107f, 161i Harry Earle George presents M. Grace & Co.'s draft on us at 60 days' sight for bill received April 3. We prepay draft in cash less 63 days' discount. (See Rule, page 95.)

We discount this draft because we have the cash on hand and wish to secure the discount.

Credit Cash and debit Grace & Co. for the face of the draft; then debit Cash and credit "Interest and Discount" for the 63 days' discount. Deduct the discount on the stub of the check as usual.

## APRIL 6.

136b, 161i For the accommodation of J. A. Amsbaugh & Co., we have discounted their note in our favor at 30 days for \$850, paying them the net proceeds in cash. (B. B. & C. B.)

This transaction resembles the preceding one, the difference being that "Bills Receivable" is debited instead of Grace & Co.

Received invoice from Post & Gale, Phila., for sale on commission, 90 brls. Sweet Potatoes, 35 brls. Cranberries. Paid freight and drayage, \$28.30. (C. B.)

This entry is treated exactly as that of the first shipment received April 3. As that account is closed this may be posted to the same account in the Ledger.

250a Received from M. Grace & Co. for sale on commission, 15 brls. N. O. Molasses, 475 gals. 32¢; 25 brls. G. Sugar, 5350#, 5¢. Paid freight and cartage, \$16.50. (C. B.)

This will be known as "Grace & Co.'s Consignment," and is kept distinct from their personal account.

243a Shipped Delaware Commission Co., Phila., Pa., 25 brls. Flour, \$6, for sale on commission. (S. B.)

Bought from M. Grace & Co. bill of April 1,  $\frac{1}{10}$ ,  $\frac{1}{100}$ , \$772.18. (J.)

Sold Willis Bros. on %, 8 brls. M. Mackerel, \$32.50; 6 hlf. brls. Lake Herring, \$2.25; 4 brls. White \$10.45; 2 hlf. brls. Russian Sardines, \$8.12 $\frac{1}{2}$ ; 2 brls. Pickles, \$5.87 $\frac{1}{2}$ .

Sold Chas. P. Wilson & Co. 3 bags Rio Coffee, 140-187-189# each, 22¢; 3 hlf. Chests Y. H. Tea, 105#, 42 $\frac{1}{4}$ ¢; 4 Chests O. Tea, 280#, 87 $\frac{1}{4}$ ¢.

## APRIL 7.

Received cash from Harry Arnold & Co. in full of account. (C. B.)

Received from C. M. Russell & Co. in full of account, their draft on Mercer & Co. at 60 days' sight, which is accepted, \$45. Note of Coleman & Rogers in their favor, which they transferred by endorsement, dated March 25, at 60 days, for \$75 less discount to maturity. Balance in cash. (B. B., J., & C. B.)

Debit "Bills Receivable" for the acceptance and 60 day note at their face value in the Journal, and credit "Interest and Discount" for the discount on the note, and credit C. M. Russell & Co. for the difference between the sum of the two notes and the discount. Deduct this amount from the total amount they are debited with in the Ledger, and the difference should be the amount of the check received. Enter that to the debit of Cash, crediting their account, which will balance it. Post each note separately to the Bills Receivable account. Discount on note 63 cts.

Paid cash to Henry Smith in full of account. (C. B.)

Paid insurance on Stock and Fixtures, \$28. (C. B.) (Debit Expense.)

## APRIL 7, CONTINUED.

Sold Wm. Wright 80 brls. Mess Pork, \$11.90; 800 brls. Flour, \$6.10. Received in payment two notes at 80 and 60 days for \$300 each. Draft at sight on R. C. Stuart for \$280. Chas. King's Sons' note March 12 at 60 days for \$700, less discount. Balance on %. (S. B., J., B. B., & C. B.)  
Discount on note \$4.32. See 3rd entry above.

## APRIL 8.

- Bought from M. Grace & Co. merchandise per bill of April 8, \$1858. Accepted their draft at 60 days' sight in favor of Miller & King for the amount of the bill. (J. B. B. & J.)
- 204f H. M. Grayson and Earle Winthrop each paid into the firm \$10000 in cash as an additional investment. (C. B.)
- Sold Hamilton & Co., Louisville, Ky., terms cash, 18 Chests J. Tea, 1260#, 42¢; 20 Chests Y. H. Tea 1400#, 45¢; 60 kegs Nails, 10¢, \$2.42½. (S. B.)
- This is not a cash transaction although the "terms" are cash. Hamilton & Co. is debited for the bill. Cash is not debited until after they have received the goods, and remitted us the check, which will appear in a later entry.
- 107f James McCartney presents order of J. A. Amsbaugh & Co. for \$68.50, which we pay in cash.  
This order is written just like a sight draft, except the words "at sight" are omitted.

## APRIL 9.

- 244c Received Account Sales of shipment April 2, to Lee Bros. & Co.; Net Proceeds, \$93.90, for which check is received. (C. B.)  
This Account Sales shows you in detail the sales of merchandise made for you by Lee Bros. & Co. Credit "Shipment to Lee Bros. & Co." for the amount of the check, which is the net proceeds.
- Bought Building and Lot, #408 6th St., valued at \$15000, on which we have paid cash \$5000 and for the balance gave our notes with interest at 60 and 90 days for \$5000 each. (C. B., B. B., & J.)
- 250a Received Consignment of 800 brls. Apples for sale on commission for account of Geo. H. Rowe, Pittsburgh, Pa. Paid freight and cartage in cash, \$41.12. (C. B.)
- Bought from M. Grace & Co., New York, bill of April 4, \$346.50. Accepted their draft at 30 days' sight favor Johnston & Davis. (J. B. B. & J.)

## APRIL 10.

- 126b, 250a Received Account Sales for Beck, Boggs & Co. for merchandise shipped April 2. Net Proceeds, \$445.60, for which they have remitted us their note at 15 days. (B. B. & J.)  
This is similar to the Account Sales received April 9, 1st entry, the difference being that a note is received for the net proceeds instead of cash.
- 253 Sold Harry Arnold & Co. for note 60 days, from P. & G.'s Consignment, 50 brls. Sweet Potatoes, \$8; 15 brls. Cranberries, \$6.50. (B. B. & J.)  
This transaction may be made in one or two entries as they are both made in the Journal. Either debit Arnold & Co. and credit P. & G.'s Consignment, and then debit "Bills Receivable" and credit Arnold & Co. or debit "Bills Receivable" and credit P. & G.'s Consignment. The latter entry does not carry the amount through Arnold & Co.'s account at all, and therefore saves that much posting.
- Bought from M. Grace & Co. Bill of merchandise dated April 5, for \$1640.50, for which we remitted draft on New York, purchased at our Bank, less 5% discount on the bill. (J. & C. B.)  
Our check is written for the New York draft. The only advantage in remitting a New York draft instead of our check is, that the party receiving it can have it cashed at any bank, while he might have some difficulty in case the party sending the check resided at a distant point, and his business standing is unknown. There is no advantage in this case, and the transaction is given simply as an illustration. Make the check payable to "New York Draft," and be careful to make the proper entries on the stub of the Check-book.
- Paid freight and cartage, \$65.50. (C. B.)
- Sold Johnston & Davis, 5th Ave., New York, 20 brls. M. Pork, \$11.50. Drew a sight draft on them for amount of bill and deposited in Bank as cash less collection charges, 25¢. (S. B., C. B.)  
Where many collections are made in this way, it is sometimes desirable to keep a special account, which is known as the "Collection account." (See 146b.) In this case, however, the 25¢ is charged to Expense on credit side of Cash, the draft being first entered on the debit side, crediting Johnston & Davis with the explanation, "Our sight draft deposited."



## APRIL 10, CONTINUED.

250d, 143d Accepted Geo. H. Rowe's draft in favor of himself at 80 days on account of his consignment received April 9, \$225.

This entry is intended to illustrate a common practice among shippers. It frequently occurs that some time elapses between the time the shipment is made and Account Sales are received, and it is customary for consignees to honor drafts drawn for such amounts as circumstances warrant. This draft is charged to "Geo. H. Rowe's Consignment."

184b, 108e Paid cash to Kennedy & Richards for bill of April 8, less 4% discount. (C. B.)  
H. A. Goodman has failed, and we settle with him for 75 cents on the dollar for the bill of April 8. (J., C. B.)

Make a Journal entry for the 25% lost. See references. Make a cash entry for the 75% received in cash. This entry may be made entirely in the Cash-book by debiting Cash for the total amount, crediting Goodman, and crediting Cash for the 25% lost, debiting Loss and Gain. As the entry should be fully explained, however, it is the best practice to make the entry for the loss in the Journal.

## APRIL 11.

Sold to M. Grace & Co., New York, account 60 days, 800 bu. Wheat, \$1.10. Having only 425 bu. on hand, we have ordered the remainder from Woodworth & Co., Chicago, to be shipped directly to M. G. & Co., freight prepaid. We have charged them with freight as prepaid on 800 bu. from Baltimore to New York. The rate is 7½¢ per 100#=\$36. Paid freight on 425 bu. \$19.18.

Make out a bill for the full amount of the sale, 800 bu. The freight for the entire 800 bu. is also charged on the bill. The entry, however, for it is made in the Journal. Debit Grace & Co. and credit Freight account. Freight account is debited from the Cash-book for the amount actually paid. The bill for Woodworth & Co. will be received later, when the present credit to the Freight account will be offset by the charges for freight from Chicago to New York.

Remitted our draft at sight on Willis Bros. to M. Grace & Co. in part payment of our bill of the 6th less 5% discount. Face of the draft, \$179.80.

Grace & Co. is debited, Willis Bros., and "Merchandise Discount" are credited in the Journal. The face of the draft, you must remember, is 95% of the amount that Grace & Co. must be charged with.

## APRIL 13.

251g Sold Henry Smith on %, 80 days, 200 brls. Apples (Rowe's Consignment), \$8.25. (J.)

Sold Chas. P. Wilson & Co. (Post & Gales' Consignment) 40 brls. Sweet Potatoes, \$8.43½; 20 brls. Cranberries, \$6.87½, terms 80 days. (J.)

Sold Johnston & Davis, New York, on %, 85 brls. Flour, \$6; 22 brls. M. Pork, \$11.75. (S. B.)

Wells & Ray present our acceptance of April 10, in part payment of their bill of April 8, less 3% discount. We charge them discount on the draft to maturity and they pay us the balance in cash. (J., C. B.)

This entry may prove somewhat difficult. The face of the draft plus the merchandise discount, less the discount on the draft gives the amount Wells & Ray are to be credited with in the Journal. Deduct that amount from their total indebtedness, which will give you the amount of cash you will receive from them. This entry may be made in the C. B. only. Make the entry and submit to your teacher.

## APRIL 14.

Sold for cash, 100 brls. Apples (Rowe's Consignment), at \$8.15. (C. B.)

Received cash from Henry Smith for bill of April 18. (C. B.)

250e Rendered Account Sales for Rowe's Consignment. Commission, 4%. Drayage, 5¢ per brl. Remitted the net proceeds in cash. (J., C. B.)

Debit "Rowe's Consignment" for the commission and drayage in the Journal. The entry for the net proceeds in the Cash-book is made the same as for the 4th entry, April 4.

Received cash from Chas. P. Wilson & Co. in full for bill of April 18. (C. B.)

250e Rendered Account Sales of Post & Gales' Consignment received April 6; Commission, 3¼%; Storage, 2¢ per brl. Discounted Harry Arnold & Co.'s note, received April 10, at Bank and remitted net proceeds of the consignment in cash. (J., C. B.)

After you have ascertained the net proceeds, deduct the discount of Harry Arnold & Co.'s note on the Account Sales. You will write your check for the difference. When the note is discounted make the usual entry; but you must be careful to debit "P. & G.'s Consignment" for this discount on note, instead of "Interest and Discount."

250a, d Received from Johnston & Davis, New York, for sale on commission for their account, 10 Chests Y. H. Tea. Paid freight and charges, \$11.25. Prepaid their draft on us at 80 days' sight for \$125, on account of the consignment.

For the freight and charges debit "J. & D.'s Consignment." Credit Cash for the face of the draft, debiting the Consignment. Debit Cash for the discount 33 days, and credit "Interest and Discount."

APRIL 15.

255a Each partner withdraws for private use, \$50.

Open a private account with each partner, in which you will enter all items other than the investment and withdrawals of capital. Debit each partner in the Cash-book for this amount as follows: "H. M. Grayson, Private %," and "Earle Winthrop, Private %."

Received cash from Hamilton & Co. for bill of April 8. (C. B.)

Bought for cash 25 shares of the Capital Stock of the First National Bank at the par value of \$50 per share.

Open account:—First National Bank Stock.

243a, 108k Bought from Hamilton & Co. bill of April 12, 10 hhd. Leaf Tobacco, \$2118, which we directed them to ship to M. Grace & Co., whom we have instructed to sell on commission for our account and risk. (J.)

253 Sold R. A. Walters on %, 8 Chests Y. H. Tea, 210#, at 80¢. (Johnston & Davis' Consignment.) (J.)

255a Accepted Boyle & Co.'s draft on H. M. Grayson at 8 days' sight for a private debt, \$36.12.

Take off trial balance at this date and prove correctness of your work. After it is approved by your teacher, you can proceed with the remainder of the month.

APRIL 16.

Johnston & Davis remit us our acceptance of April 9, less discount to maturity, in part payment of their bill of April 13, on which we allow them a cash discount 3¼%. For the balance we have received their draft at sight on J. A. Amsbaugh & Co., which we charge to their account.

This entry is made in the Journal only. Debit "Bills Payable" for the face of the acceptance and "Merchandise Discount" for the 3¼% on the bill. Credit "Interest and Discount" for the discount on the acceptance. Find the difference between the two debits and the one credit, and deduct from the total amount of the bill, the difference is the amount of the draft on Amsbaugh & Co. Credit Johnston & Davis for the full amount, which will balance your Journal entry and close their account.

107c, 168e By a fire in our Storage Warehouse, the remaining 7 chests of Tea belonging to Johnston & Davis' 251f Consignment were totally destroyed. Render Account Sales for the sales effected and close the account. Commission 8%.

As this tea belonged to Johnston & Davis, no entry is made on your books. On the Account Sales make a memorandum of the tea destroyed. The loss is theirs, not yours. As we have paid their draft which amounts to more than the goods sold for, they owe us the difference.

Cash Sales for the week per cash drawer, \$116.87. (C. B.)

For explanation of cash sales, see note <sup>22b</sup>, 238-<sup>22d</sup>.

APRIL 18.

81, 253, 252 Took to our own account the consignment of Molasses and Sugar received from M. Grace & Co. April 6, at invoice prices. Rendered Account Sales, Commission 8%, Storage \$7.50, Drayage, \$2.35. Place the net proceeds to credit of their account. (J.)

This is sometimes done by commission merchants under the circumstances stated. Make a Journal entry, debiting Merchandise and crediting Grace & Co.'s Consignment. Then render the Account Sales and make the usual entries. Notice that you credit Grace & Co. for the net proceeds in their personal account.

Received Account Sales from Delaware Com. Co., for shipment of April 6. Net proceeds, \$141.50, for which we have drawn on them in our favor at 80 days after date, and discounted, receiving net proceeds in cash. (C. B.)

Credit "Shipment to Delaware Com. Co." for the net proceeds, and debit "Interest and Discount" for the discount on the draft.

Received \$200 from Chas. P. Wilson & Co., to apply on bill of 6th, less 3%.

This is the amount of the check received, and represents 97% of the amount with which Wilson & Co. must be credited. Debit Cash and credit them for 100%. Credit Cash and debit "Merchandise Discount" for the 3%.

Bought Letter File and Cabinet for Offices, \$15. Paid sundry expenses for repairs, \$12.50. (C. B.)

Received from Woodworth & Co., for sale on commission, 200 brls. Flour. Paid freight, \$53.10. Drayage, \$8. (C. B.)

Sold S. S. Martin & Co., % 30 days, 60 brls. Flour (Woodworth's Consignment) at \$6.15; 12 cases Eggs, 1200 doz. at 12¼¢; 10 brls. Sugar, 2200# at 5¼¢. (J.)

Sold R. A. Walters for cash less 2%, 200 bu. Wheat at \$1.06; 912# S. C. Hams at 12¼¢; 4 chests, 280# Y. H. Tea at 45¢. (S. B.)

Received bill from Woodworth & Co. for wheat ordered on the 10th,—875 bu. at 98¢. Freight prepaid, \$19.10. (J.)

Debit freight for amount prepaid.

This is the bill for the wheat shipped M. Grace & Co. on the 10th. Debit Merchandise and Freight, and credit Woodworth & Co. for the whole amount of the bill,—that is, the wheat and the freight prepaid.

APRIL 20.

250b Bought for cash 96  $\frac{1}{2}$ -brl. paper sacks at 4¢ each, to market Woodworth & Co.'s Flour; also paid for filling, \$1. (C. B.)

Sold J. A. Amsbaugh & Co. on %, 20 sacks 490# Woodworth & Co.'s Flour at  $3\frac{1}{4}$ ¢. (J.)

Sold Dilworth Bros. for cash, 18 chests Y. H. Tea, 1260# at 40¢; 40 sacks Woodworth & Co.'s Flour, 980# at  $3\frac{1}{2}$ ¢; 10 bags Rio Coffee, 1800# at 18¢. (J., C. B.)

Prepaid our notes issued April 9, for \$5000 each, at 60 and 90 days for the face of the notes, and the interest to maturity less the discount from this date until the date of maturity. Interest to maturity, \$180. Discount to maturity, \$118.18.

In calculating for this transaction, add the interest to the amount of the notes, and deduct the discount, which will give you the amount of the check. In the Cash-book, debit "Bills Payable" for the face of the notes, "Interest and Discount" for the interest to maturity. Debit Cash and credit "Interest and Discount" for the discount allowed to maturity.

255b Paid cash for bill of coal for private use of Earle Winthrop, \$18. (C. B.)

Paid Cooperage on Woodworth & Co.'s Flour, \$8.25. (C. B.)

Sold James Harris for note at 30 days with interest, 40 brls. Flour at \$6; 20 brls. M. Pork, \$10. (S. B., B. B. & J.)

APRIL 21.

Received cash from Kennedy & Richards in payment of bill of April 4, less 4%.

As the cash was not remitted in time to come within the terms of discount, it is not allowed. We have drawn on them at sight for the amount of the discount, and deposited in Bank less 25¢ for collection charges.

The check received and the draft for 4% are entered as one item.

Sold C. M. Russell & Co., 86 sacks Flour (Woodworth & Co.'s Consignment), 882#, at  $4\frac{1}{2}$ ¢. (J.)

250c S. S. Martin reported 420# short weight on Flour sold them on the 18th. We allow them credit on their bill for the amount at 4¢ per lb. (J.)

Paid our acceptance of the 15th due to-day. (C. B. & B. B.)

Paid wages to April 15, per pay roll, \$120. Paid for two horses, wagon and harness, \$750. Paid sundry drayage bills to date, \$62.50.

Bought from M. Grace & Co., merchandise per bill of the 16th, \$644.25. Remitted in part payment Merchants' Supply Co.'s note of the 4th, less discount at 7%. Paid balance in cash, Discount, \$5.34. (J., B. B. & C. B.)

APRIL 22.

Sold M. Grace & Co., per their order with Draft at sight attached to Bill of Lading, 40 brls. Flour at \$6.16 $\frac{2}{3}$ . (Woodworth & Co.'s Consignment.)

Deposited Draft and Bill of Lading in bank less  $\frac{1}{2}$ % for collection. (C. B.)

The object in a transaction of this kind is to require the purchaser to pay the draft before he can secure the goods. It is sometimes done when the financial standing of the purchaser is not well known.

250e Rendered Account Sales to Woodworth & Co. for Flour sold to date. Commission,  $8\frac{1}{2}$ %, Storage, \$17.95, Drayage, \$9.40; Net proceeds remitted in cash. Reported 88 brls. still unsold.

The "Inventory" on hand is simply a "memorandum" on the Account Sales. No entry is made for it in your books.

Received cash from Wm. Wright in full of account. (C. B.)

APRIL 23.

Received cash from R. A. Walters to balance account. (C. B.)

J. M. Reed & Co. prepaid their note of Feb. 28 less discount to maturity.

Cash-sales per cash drawer, \$91.64. (C. B.)

Sold Merchants' Supply Co., % 30 days, 20 kegs 8d Nails, \$2.40, less 10 and 5%; 20 kegs 10d Nails, \$2.50, less 10 and 6%. (S. B.)

Trade Discount is a certain fixed percentage taken off the regular price of goods. In many large businesses, such as hardware, glass, iron, etc., the prices are fixed annually and dealers allow a certain per cent. off that price. This is known as *trade discount*. It is always deducted on the bill when the goods are sold, and the net amount only is charged to the buyer.

## APRIL 24.

Remitted Hamilton & Co. draft at sight on M. Grace & Co., on account of shipment of April 15, for \$1000. (J.)

Credit "Shipment to Grace & Co." for this draft.

1285, 146d Exchanged notes at 80 days with J. A. Amsbaugh & Co. for their accommodation. Each note, \$350. (B. B. & J.)

## APRIL 25.

Our draft on Kennedy & Richards deposited on the 21st has been returned to us marked "refused" and we take it up by issuing our check to the bank.

Sold Harry Arnold & Co., 80 days, 25 brls. Sugar, 5859#, 5¼¢; 15 brls. N. O. Molasses, 475 gals., 87¢. (S. B.)

Received cash from S. S. Martin & Co. for bill of the 18th less 2%. (C. B.)

## APRIL 27.

Jas. Harris prepaid his note of the 20th for the face of the note and the interest to maturity less the discount on the amount of the note from this date until the date of maturity. (C. B. & B. B.)

## APRIL 28.

Received cash from Kennedy & Richards for amount of sight draft which was refused by mistake of their bookkeeper. (C. B.)

Sold M. Grace & Co., 88 brls. Flour, \$8.12½ (Woodworth & Co.'s Consignment), % 80 days. (J.)

Beck, Boggs & Co. pay their note of April 10, due to-day. (C. B., B. B.)

## APRIL 29.

Paid cash to Woodworth & Co. to balance account.

Received C. M. Russell & Co.'s note at 80 days with interest for bill of 21st. (B. B., J.)

## APRIL 30.

Received Account Sales for 5 hhd. Leaf Tobacco shipped M. Grace & Co. April 15. Net proceeds, \$1808.45, from which they have deducted our draft of the 24th, and placed the balance to our credit.

They report the remaining 5 hhd. unsold. (J.)

Paid salaries to date, \$140. Paid for horse feed, \$12.50; Shoeing horses, \$12.50. (C. B.)

Received cash for rent of building #408 6th St., \$187.50. (C. B.)

## INVENTORIES, APRIL 30.

|                                                   |         |
|---------------------------------------------------|---------|
| Merchandise, . . . . .                            | \$3560. |
| Furniture and Fixtures, . . . . .                 | 175.    |
| Building, #408 6th St., . . . . .                 | 15750.  |
| Shipment to M. Grace & Co., . . . . .             | 1056.50 |
| First National Bank Stock, advanced 5%, . . . . . | 1812.50 |
| Horse and Wagon account, . . . . .                | 712.50  |
| Rent due (others) on store and unpaid, . . . . .  | 250.    |
| Commission 3¼%, W. & Co.'s Consignment, . . . . . | 18.87   |

## INSTRUCTIONS FOR CLOSING, APRIL 30.

- (1.) Follow instructions 1, 2, 3 and 4 for closing, Jan. 31.

NOTE.—As the accounts in the Ledger are becoming more numerous, it will require you to exercise great care that you omit none of them from your trial balance or balance sheet.

(2.) Your attention is called to the "freight" and "merchandise discount" accounts which appear in the Ledger this month. While they are auxiliary to the Merchandise account, and really are a part of that account, they are closed separately the same as any other Loss and Gain account, for the reason that they are kept for the purpose of exhibiting to the proprietors such information as will assist them in directing the future operations of the business.

NOTE.—It is the practice with some bookkeepers after the Balance Sheet is made out to close these accounts into the Merchandise account before closing that account into Loss and Gain. This does not affect the final net gain or loss shown by the Loss and Gain account, but the debits and credits shown in the Loss and Gain column will not agree with those shown in the Loss and Gain account. However, when it is desirable to have the Merchandise account in the Ledger show the net Loss or Gain of that account irrespective of the accounts auxiliary to it, this practice is permissible. However, if such is the case, it would not seem necessary to open special accounts with merchandise, discount, and freight at all, but to post them directly to the Merchandise account.

(3.) You will now proceed to make out a Balance Sheet. If your work is correct, the Balance Sheet will show a net gain of \$ which should be divided equally between the partners. Allow the odd cent to the senior partner.

(4.) Close all accounts showing losses or gains, using the Balance Sheet as a guide. In closing Loss and Gain account, enter on the lesser side the amount of each partner's share of the net gain separately, and transfer to their partner accounts. Be careful to bring down the inventories on the opposite side of the accounts in which they occur.

#### TO CALCULATE INTEREST FOR DAYS AT 6%.

**RULE.**—Multiply the principal by the number of days, divide the product by 6 and point off three figures; if there are cents in the principal, point off five figures.

**Example.**—What is the interest on \$750 for 45 days?

**PROCESS:**

|         |
|---------|
| \$750.  |
| 45      |
| 3750    |
| 3000    |
| 6)33750 |
| \$5.625 |

**Explanation.**—The interest on one dollar for one day being  $\frac{1}{6}$  of a mill, therefore, if any principal is multiplied by the number of days, the product (or interest) will be in 6th of mills. To reduce mills to dollars, point off three figures from the left. In the example shown, \$750, the principal, multiplied by 45, the number of days, gives a product or interest of  $\frac{33750}{6}$  mills. We therefore divide by 6 and obtain as the interest a quotient of 5625 mills; pointing off three figures gives \$5.63, the required interest.

#### EXAMPLES FOR PRACTICE.

| Find the interest at 6%. |               |           | Find the interest at 6%. |               |           |
|--------------------------|---------------|-----------|--------------------------|---------------|-----------|
| Principal.               | Time in days. | Interest. | Principal.               | Time in days. | Interest. |
| 1. \$745.                | 37 days.      | \$4.59.   | 5. \$ 365.50             | 31 days.      | \$ 1.89.  |
| 2. 371.                  | 41 "          | 2.54.     | 6. 540.25                | 39 "          | 3.51.     |
| 3. 487.                  | 38 "          | 3.08.     | 7. 1620.36               | 79 "          | 21.33.    |
| 4. 318.                  | 73 "          | 3.87.     | 8. 717.10                | 135 "         | 16.13.    |

#### TO ASCERTAIN THE INTEREST AT ANY PER CENT. OTHER THAN 6.

Find the interest at 6%, then multiply the interest thus obtained by the desired rate, dividing the product by 6 and the quotient will be the interest required. In other words, the desired rate is the numerator of a fraction whose denominator is 6. Multiply the interest at 6% by such fraction.

### EXERCISES IN OPENING DOUBLE ENTRY BOOKS.

The following exercises are intended as a drill to prepare you for making the proper entries for admitting a partner May 1. They are all practical examples that have been copied from the books in business houses, the names and amounts alone being changed. All that is required in these Exercises is the opening Journal entry.

**Ex. 1.** James Anderson invests cash, \$3000; - - - Merchandise, \$300; - - - Bills Receivable, \$1800; - - - Accrued interest due on these notes, \$96.50; - - - First National Bank Stock, \$3600; - - - 9th St. Property, \$4800; - - - Rent due and unpaid by tenants on above property, \$86; - - - Safe and Desks, etc., \$110; - - - Horse and Wagon, \$340.

He owes on personal accounts, \$1260.50; - - - On notes with 6 months' interest (\$120), due on same, \$4000; - - - He owes on the horse and wagon, \$100. Required the Journal entry.

**Ex. 2.** Archie Carlton and Lester Boyd enter into business—Archie Carlton invests cash, \$3500; - - - Merchandise less 10% for old stock, \$1600; - - - Notes on hand, \$760; - - - Interest due on these notes, \$73.35; - - - R. R. Stock on which he owes a note of \$1000, \$5000; - - - Store room and Lot (with taxes unpaid, \$36), \$3000; - - - Mortgage due in one year with interest at 6% on Store and Lot, \$3000; Personal accounts due him with 15% off for bad debts, \$1368. He owes on account, \$400; - - - On note on which he has gone surety, \$150.

Lester Boyd invests cash, \$1600; - - -  $\frac{1}{4}$  interest in Machine Shop, \$2500; - - - 100 shares Gas Co. Stock with 10% dividend unpaid, \$5000; - - - Notes on which a discount of 20% is allowed, \$3800; - - - Commission earned by him as Real Estate Agent and unpaid, \$780; - - - Note which he holds against Archie Carlton now due, \$300; - - - 20 shares N. C. R. R. Stock with last cash assessment of 20% due and unpaid, \$1000. Required the Journal entry.

Ex. 8. N. E. Nash and F. G. Botsford enter into a partnership for the purpose of carrying on a general contracting business. Each is to invest his present plant, valued at \$25000. The books of N. E. Nash show the following Assets and Liabilities, which are accepted by the firm: Cash, \$2600; - - - Bills Rec., \$2200; - - - A note for \$150, is worthless and is to be charged to Nash's private account; - - - Patent #1260 for making street pavement, \$8760; - - - Horses and Wagons, \$5000; - - - Street Roller, \$800; - - - Implements and Fixtures, \$550; - - - Asphalt and other supplies on hand, \$1750; - - - Machinery, Engine, etc., \$2300; - - - Personal accounts due him, \$1250; - - - Stone Quarries, \$3000, on which there is a Mortgage of \$3000 with 6 mos. interest due on same; - - - Personal note held against F. G. Botsford, \$1000; - - - Contract with City of Pittsburg valued at \$2000. He owes for labor, \$650; - - - On personal accounts, \$1210; - - - On Notes, \$1200; - - - Interest on Notes, \$80.

F. G. Botsford's books show the following Assets and Liabilities, which are accepted by the firm: Cash, \$1900; - - - Brick Yard, 80th Ward, \$4000; - - - Brick Machinery, etc., \$9000; - - - Brick on hand, \$1800; - - - Lawrenceville Sewer Contract valued at \$10000; - - - Dinkey, Engine, Cars, etc., \$1500; - - - Cement and other supplies, \$1800; - - - Tools and Implements, \$1200; - - - Amount due Fidelity Trust Co., as bondsmen on City Contract, \$700; - - - He owes on Bond and Mortgage, \$5000; - - - On Notes, \$500. Required Journal entries to open firm's books.

Ex. 4. D. M. Porter is the owner of Excelsior Machine Works with a net capital of \$50000, which stands to the Cr. of his stock account. R. C. Carroll and S. A. Richards each agree to obtain a 1/2 interest. Without closing the books or taking a statement of the business, they pay into the business \$32000 each, and also to pay Mr. Porter a bonus of \$12000 each. Required the entry to adjust the matter. What entries would be made using the Cash-book?

INVOICE-BOOK.

The Invoice-book is the opposite of the Sales-book. In it are entered all purchases of merchandise for our own account. There are two forms of the Invoice-book in general use. The first is about 1 1/2 inches wider than the ordinary bill head and is ruled with a single money column. In this style of book the invoices are *pasted-in* as received and the amounts are extended into the money column. The footings are forwarded from page to page, and Merchandise is debited for the total at the end of the week or month. The parties from whom the goods were purchased are credited directly in the Ledger for the amount of each bill. The other style of Invoice-book is ruled like the Sales-book. In it the name of the seller, the date of the bill and the terms are entered. The items of the bill are omitted, and the date the bill is received is entered in the margin. Generally each bill is numbered and filed in regular order. The number of the bill is then entered in the Invoice-book, so that the bill can be referred to at any time. Merchandise is debited for the total in the Ledger, and each party is credited for the amount of each bill as in the first form. This form is shown below.

Frequently the use of the Invoice-book is dispensed with by having a special "Mdse. Dr." column ruled in the Journal, as is illustrated in "Commission Set 5."

Invoice Book

|     |   |                     |                      |      |    |          |
|-----|---|---------------------|----------------------|------|----|----------|
| May | 1 | Frank Humphreys.    | April 26. - 15 days  | 1941 |    |          |
|     |   | Woodworth & Co.     | " 24. - 30 "         | 3825 |    |          |
|     | 2 | C. M. Russell & Co. | " 22. - Cash 2%      | 1355 |    |          |
|     |   | M. Grace & Co.      | " 25. - Dft. 3 days  | 437  |    |          |
|     | 4 | Johnston & Davis    | " 28. - Note 30 days | 900  |    |          |
|     |   | M. Grace & Co.      | " 30. - Dft. 10 days | 1722 |    |          |
|     | 5 | Hamilton & Co.      | May 4 Dft. 10 days   | 476  | 80 |          |
|     |   | Hillis Bros.        | Cash                 | 888  |    |          |
|     | 6 | M. Grace & Co.      | May 2. - 30 days.    | 3241 | 93 |          |
|     |   | "                   | " 3. - 60 days.      | 2146 | 92 |          |
|     |   | Merchandise Dr.     |                      |      |    | 16933 63 |

## CONTINUATION OF SET 8.—MAY 1.

**Special Features.**—Admission of two partners. Establishment of a *Branch Store* in charge of one of the partners. Opening of *Retail Department* in charge of another partner. Introduction and use of the *Invoice-book*.

**By the Articles of Agreement** among the partners, the firm name is to be "*H. M. Grayson & Co.*" The two senior partners, H. M. Grayson and Earle Winthrop, are to receive a credit of \$600 per month for their services, and the junior partners are to receive \$400 per month for their services. They are to share in the net profits as follows: The senior partners are to divide  $\frac{2}{3}$  of the net profits between them, and the junior partners are each to have  $\frac{1}{3}$  of the net profits. They are to be charged in their private accounts for all sums withdrawn, and are to devote their entire time and attention to the business. By agreement, H. M. Grayson is to devote his attention to the Financial Department, Earle Winthrop to the Purchase and Sales Department, G. R. Hart to the Branch Store and E. R. Grayson to the Retail Department.

**NOTE.**—You will remember that each ten days is intended to represent a month's business in all except the mere matter of time, and that the making out of the Balance Sheet, and the closing of the Ledger is required, to give you practice in this work, and not because it is done in business.

The transactions of an ordinary business are very much the same from day to day, and in order to avoid needless repetition, we introduce only such transactions as are necessary to develop new points in the old accounts, and such new accounts as are necessary. The work, therefore, is arduous and will require the closest attention.

An account will be opened with the Branch Store, known as "23d St. Store." In it will be conducted a general retail business in fine groceries, provisions, etc. You will find full information in regard to the "Branch Store" accounts on page 85, which you should read carefully. All bills purchased directly for the account of that store are entered in the Journal, debiting "23d St. Store," instead of Merchandise. All goods taken from the general stock on hand are billed as usual and charged to the "23d St. Store" from the Sales-book. Reports of all receipts and expenditures will be received daily from the branch store. At the next closing of the Ledger, you will receive a statement of the entire purchases, sales, expenses, etc., to that date, from which you will be instructed how to make the proper entries.

As we have many calls for goods from small buyers, it has been decided to open a retail department. The personal accounts of this department will be kept in a special Ledger, known as the Petty Ledger. All sales on account for that department are charged directly into this Ledger. (See form, page 103.) No entry will be made on the general books until payment is received. But a few accounts will be given you, as that book is kept by the clerks in the retail department. When cash is received in payment of accounts in the Petty Ledger, it is turned in to the general bookkeeper as "Cash Sales," the amount being credited to Merchandise in the Cash-book, after being properly credited to the accounts of the persons who paid it, in the Petty Ledger. This will be more fully explained and illustrated in the Retail Set which will be introduced later.

Follow exactly the same routine in this month as in the month of April,—that is, prepare the papers for each day, and enter in your books. File them, check your postings, and see that everything is correct before proceeding with the next day's business. Continue as heretofore in the depositing of checks and the balancing of Cash. Many new features will be presented, but by referring to the instructions given you, as indicated, you will have no difficulty in understanding how to dispose of them. It is expected that you will think for yourself, and not depend upon your teacher more than it is necessary. Independent, careful, consecutive thought is the power which you are expected to wield, and without the acquirement of which you will always be merely a nonentity. Don't be a follower. Stand on your own ground.

**NOTE.**—The articles of agreement referred to above may be prepared by the student. Carefully read information given, and have the articles of agreement contain all the facts therein stated. For the form of an agreement between partners, refer to your Commercial Law-book.

## MEMORANDA FOR MAY.—SET 8, CONTINUED.

NOTE.—Only a few special instructions are given you for entering the transactions of this month, as you should be sufficiently familiar with the different books to use them without a guide.

## MAY 1.

- 204a G. R. Hart invests the following effects:  
 Cash deposited in First National Bank, \$1500. (C. B.)  
 160a Note of J. A. Amsbaugh, dated March 17, at 90 days with interest, \$750. (J.)  
 160a Note of G. E. Sharp, dated November 25, at 90 days with interest from date of maturity, \$298.75.  
 97a 23rd St. Property, \$7000., on which there is a mortgage of \$1000., dated July 1, interest payable semi-annually.  
 143a  
 161g An account may be opened with "Mortgages Payable," or this mortgage may be entered in the Bills Payable account.  
 97a First National Bank Stock, 75 shares at \$50., on which there is  $3\frac{1}{2}\%$  semi-annual dividend due and unpaid, \$3750. (Open Dividend account.)  
 96  
 97a Steamboat Letitia,  $\frac{1}{2}\%$  interest, \$12500.  
 107a Brown & Co., Richmond, Va., owe him an account on which they owe interest from March 1, \$118.85.  
 203a He owes the following debts which the firm assumes:  
 143a Note favor Frank Humphreys, Columbus, O., dated January 19, at 60 days with interest, \$150. (J.)  
 161g  
 255c E. R. Grayson on %, due April 20, \$36.50. (Credit Private account.)  
 208 E. R. Grayson invests cash, \$12,000.  
 Bought books and stationery for cash, \$24.75. (C. B.)  
 Bought desk, chairs, etc., for office use, \$78.50. (C. B.)  
 Bought from Frank Humphreys, Columbus, O., % 15 days, bill dated April 26, \$1941. (I. B.) (See form, page 96.)  
 Bought from Woodworth & Co. bill dated April 24, % 30 days, \$3825. (I. B.)  
 Paid freight and cartage on above goods, \$117.85. (C. B.)  
 275b Bought from M. Grace & Co., for 23rd St. Store, bill dated April 27,  $\frac{1}{10}\%$ , \$1887.48. (J.)  
 267c Bought for cash, shelving, counters, scales, etc., for 23rd St. Store, \$147.50. (C. B.)  
 Bought set of books, etc., for 23rd St. Store, \$9.50.  
 267a Transferred from our stock to 23rd St. Store, 1 box, 18# C. Cheese, 10#; 1 tub, 30# C. Butter, 30#; 8 brls. N. O. Molasses, 185 gals., 40#; 2 chests Y. H. Tea, 140#, 45#; 2 chests O. Tea, 140#, 50#; 2 chests J. Tea, 160#, 40#. (S. B.)  
 268d Cash-sales 23rd St. Store, \$146.20. (C. B.)  
 Cash-sales per Cash Register, Retail Dept., \$94.28. (C. B.)  
 Sales on account, Retail Dept. (Petty Ledger.) (As only three of these accounts are given you at this time as an illustration, open them on the last page of the Journal, allowing each one-third of a page. See form, page 108.)  
 Mrs. Jas. Hamilton: 3# O. Tea, 60#; 10# Coffee, 25#; 16# Sugar, 61#; 6# Butter, 40#; 3# Cheese, 20#.  
 James E. Brady: 20# Coffee, 25#; 60# Sugar, 6#; 20# S. C. Hams, 15#; 2 brls. Potatoes, \$2.; 15# O. Tea, 40#.

## MAY 2.

- Sold John Swan & Co., Wood St., % 30 days: 10 brls. Mess Pork, \$15.; 5 boxes Creamery Cheese, 300#, 11#; 3 tubs Creamery Butter, 180#, 81#.  
 Shipped M. Grace & Co. for sale on commission on our account and risk: 100 bu. Clover Seed (at cost), \$3.; 15 brls. Mess Pork (at cost), \$12. (S. B.)  
 Bought from C. M. Russell & Co., bill dated May 1, terms cash less 2%, \$1855. (I. B.)  
 Bought from M. Grace & Co., New York, bill dated April 28, \$437. Terms, draft at three days' sight.  
 Paid freight bills in cash, \$180.75.  
 Cash-sales 23rd St. Store, \$197.47.  
 Cash-sales Retail Dept., \$214.52.  
 Sales on account, Retail Dept. (Petty Ledger, see p. 108):  
 Mrs. Chas. Johnston:  
 1 Can Corn, 25#; 2 doz. Eggs, 15#; 10# Butter, 40#; 1 bu. potatoes, \$1.  
 Received cash from M. Grace & Co. in full of account to May 1, per Statement rendered.



## MAY 3.

Rendered Account Sales to Woodworth & Co. for remainder of their consignment of flour; Com.  $8\frac{1}{4}\%$ .  
Net proceeds remitted in cash.

Received cash from Johnston & Davis in full of account.

Remitted our check to M. Grace & Co. in full for bill of the 1st less discount.

99 Paid cash for plumbing, 23rd St. Building, \$19.33.

258d Cash-sales 23rd St. Store, \$214.27.

Cash-sales Retail Dept., \$224.63.

The sales clerk hands in "credit slip" showing the following credits: James E. Brady, \$21.60; Mrs. James Hamilton, \$5. (Petty Ledger only, see form, page 103.)

Received cash from J. A. Amsbaugh & Co. in full of account to May 1.

## MAY 4.

Bought from Johnston & Davis, bill dated April 28; terms, note 30 days, \$900. Instead we remit them our check for the net proceeds of the note, 33 days.

Bought from M. Grace & Co. bill April 1,  $\frac{1}{2}$  cash less  $2\%$ , balance, subject to draft at 10 days, \$1723.

Sold Merchants' Supply Co. (terms cash), 5 tubs Creamery Butter, 300#, 38¢; 2 brls. N. O. Molasses, 96 gals., 48¢; 4 Chests Oolong Tea, 280#, 55¢.

Received from O. L. Petticrew, Springfield, O., for sale on commission: 250 doz. Eggs, 12¢; 20 brls. Potatoes, Late Rose, \$1.62 $\frac{1}{2}$ .

Paid freight and cartage in cash on above consignment, \$5.60.

Paid freight and cartage bills to-day, \$48.50.

Shipped to Lee Bros. & Co. for sale on commission: 5 brls. N. O. Molasses, 245 gals. at 40¢; 5 chests Y. H. Tea, 350#, at 40¢; 5 chests Japan Tea, 350# at 38¢. Prepaid  $\frac{1}{2}$  freight in cash, \$4.88.

Cash-sales 23rd St. Store, \$98.81.

Bought from Merchants' Supply Co., for 23rd St. Store, bill on %, \$816.25.

Cash-sales Retail Dept., \$149.98.

Accepted draft of M. Grace & Co. at three days' sight, payable at First National Bank, for bill received the 2nd inst., \$437.

## MAY 5.

61A G. E. Sharp paid his note of November 25 with interest from date of maturity, \$298.75.

Bought bill from Hamilton & Co. subject to draft at 10 days, \$476.80.

Bought bill from Willis Bros., city, terms cash, \$888.

Sold R. A. Walters, % 30 days, 300# Butter, 31¢; 180# Cheese, 11¢; 1 chest Japan Tea, 70#, 45¢; 1 chest Oolong Tea, 70#, 56¢; 1 brl. N. O. Molasses, 50 gals., 55¢.

Sold Henry Smith on %, from Petticrew's consignment, 200 doz. Eggs, at 15¢; 10 brls. Potatoes, at \$2.05.

245 Received from Kennedy & Richards a bill of the following merchandise, which was shipped by them, as per our order of April 30, to G. B. Mason & Co., for sale on our account and risk as per letter of instructions of to-day; 20 bales Hops, \$10.; 225 bu. Barley, 40¢. Freight prepaid by K. & R., \$48.18.

Accepted Woodworth & Co.'s draft on us in favor of Nelson & Co. at 10 days' sight, \$488.70.

797 Paid cash for premium and policy in German Insurance Co., covering Stock and Fixtures, \$10,000, rate,  $1\frac{1}{4}\%$ .

Cash-sales 23rd St. Store, \$181.12.

Cash-sales Retail Dept., \$207.32.

1074 23rd St. Store reports spoiled goods (10 doz. Canned Corn) belonging to Merchants' Supply Co.'s bill  
258e of yesterday, which the M. S. Co. have credited on bill, \$5.50.

257e Paid Insurance on Stock and Fixtures 23rd St. Store, \$28.50.

Sold J. A. Amsbaugh & Co. and shipped by their order to Morrison & Fox, New Orleans, 500 brls. Refined Petroleum at \$6.50. Prepaid freight, \$148.90. (S. B. & C. B.)

When freight is prepaid on goods sold it should be charged on the bill sent the customer. Prepaid charges may be treated in two ways:—Either by entering the amount in the Sales-book and debiting "Mdse." in the Cash, which will offset the credit to merchandise in the S. B., or by debiting the buyer with the freight prepaid from the Cash-book. The former is the usual custom, but it is not the best practice, as Merchandise is thus debited and credited for amounts that are not purchases and sales, and consequently the exact gain or loss % cannot be calculated.

## MAY 6.

- Bought from M. Grace & Co. subject to draft, Mdse. per bill of the 8d, \$3241.93.  
 Sold Henry Smith, on % 80 days: 600 doz. Eggs, 15¢; 1 brl. Mess Pork, \$15; 5 brls. Petroleum, \$6.20; 5 brls. Flour, \$5.80.  
 Sold J. A. Amsbaugh & Co., % 80 days: 800 bu. Corn, 40¢; 250 bu. Wheat, \$1; 18 brls. Flour, \$5.80; 150 bu. Clover Seed, \$4.10; 225 bu. Rye, 56¢; 20 tons Timothy Hay, \$10.75.  
 Paid salaries for week ending to-day, \$81.  
 Received from J. A. Amsbaugh & Co. for bill of 5th their note at 8 months with interest included in its face. Amount of bill, \$3893.80; Interest, \$52.60. (J.)  
 257c Paid clerks' salary 23rd St. Store, \$15.  
 255a Paid H. M. Grayson, \$150; Earle Winthrop, \$185; E. R. Grayson, \$250; G. R. Hart, \$85.  
 258d Cash-sales 23rd St. Store, \$295.88. Note of Hotel Wilson at 80 days for groceries 23rd St. Store, \$86.12.  
 255a, 258d G. R. Hart took for his family use groceries from 23rd St. Store, \$14.50.  
 79f Bought from M. Grace & Co., Invoice of Tea and Spices, which they ordered shipped to us directly from Stewart & Co., Liverpool, Eng., \$2146.90. Paid Custom House duties, \$215.87. Freight and drayage, \$41.12.  
 Bought from Wm. Wright, 2 horses, \$450. We give in payment his note at 60 days received April 7, \$300, allowing him discount to maturity. We pay the balance in cash. (C. B.)  
 This entry is somewhat difficult. It may be made either in the C. B. only, or in the C. B. & J. We prefer the former. Credit Cash for the value of horses, and for the discount on the note; debit Cash for the face of note. The difference between the two credits and the one debit equals the amount of the check given, \$151.70.  
 Cash-sales Retail Dept., \$345.60.

## MAY 8.

- Sold Merchants' Supply Co., for note 80 days, from Petticrew's Consignment: 50 doz. Eggs, 15¢; 10 brls. Potatoes, \$2.10.  
 Rendered Account Sales of Petticrew's Consignment. Commission, 8%. Drayage, \$3.85. Net proceeds remitted in cash.  
 Made draft at 10 days on G. B. Mason and Co., St. Louis, Mo., on % of shipment and remitted to Kennedy & Richards, on %, \$150.  
 Received note at 80 days for \$425, from Harry Arnold & Co., dated April 30, and made by H. M. Grayson to apply on account. Discounted the same at First National Bank and received net proceeds in cash. H. A. & Co. paid balance of their account in cash. (C. B.)  
 Paid Frank Humphreys in full, less 2%.  
 Cash-sales 23rd St. Store, \$43.25.  
 Cash-sales Retail Dept., \$192.50.  
 Sold Hamilton & Co., on %, 300 Chests, 14000#, O. Tea, 50¢; 60 Chests; 4200#, J. Tea, 45¢.

## MAY 9.

- 107f M. Grace & Co. present Hamilton & Co.'s draft at 10 days' sight which we pay less discount. Face of draft, \$375.  
 Paid for one ton coal, \$8.75.  
 Paid for repairs on building, 408 6th St., \$4.50.  
 Received Account Sales for merchandise shipped on the 2nd to M. Grace & Co. Net proceeds received in cash, \$525.80.  
 Sold Merchants' Supply Co., on % 80 days: 20 tubs Butter, 1200#, 88¢; 5 chests Y. H. Tea, 350#, 51¢; 5 chests Oolong Tea, 350#, 57¢; 1 sack, 60#, Rio Coffee, 22¢; 5 tierces Lard, 1716#, 7¢.  
 108f R. A. Walters presents Kennedy & Richard's sight draft on us for \$75, which at his request we have placed to his credit. (J.)  
 100 Received from steamer "Letitia" for 1/10 net earnings of last trip, check on Third National Bank, \$846.25.  
 Received cash from Brown & Co. to apply on account, \$75.  
 Transferred by special endorsement to Willis Bros. to apply on account, note received from Merchants' Supply Co., May 8, less discount to maturity.  
 M. Grace & Co. present our note in favor of Frank Humphreys, Columbus, O., dated Jan. 19, for \$150. with interest, which we pay in cash.  
 Received Account Sales from Lee Bros. & Co. for shipment of May 4. They report 5 chests Tea unsold. Net proceeds received in cash, \$407.32.  
 Received cash from Chas. P. Wilson & Co. to balance account.

## MAY 9, CONTINUED.

J. A. Amsbaugh & Co. paid their note of April 6th, cash for \$400 and new note for the balance at 80 days with interest included in its face. (C. B.)

Cash-sales 28rd St. Store, \$158.20; - - - Cash-sales Retail Dept., \$96.85.

Paid janitor's and warehouseman's wages in full to date, \$55.

149b, 80i The driver reports one ton of Hay and 50 bu. Oats taken from stock for horses. We charge the Hay at \$10, the Oats, 85¢.

Paid Willis Bros. in full of account.

In settlement of their % we have transferred note of C. M. Russell & Co., dated April 20th to Kennedy & Richards at its face value. Cash for balance. (J. & C. B.)

Discounted J. A. Amsbaugh & Co.'s note received May 6th, and remitted amount of net proceeds to M. Grace & Co. in draft on New Orleans, less  $\frac{1}{2}$ % discount. Discount on draft, \$17.05. Amount of draft, \$3410.61. (C. B.)

Debit Cash for note, and discount allowed on the draft; credit Cash for the discount on the note and the debit to M. G. & Co. Remember that the net proceeds of the note is 99.5% of the face of the draft.

Paid mortgage on 28rd St. Property with interest to date.

255d As per Articles of Agreement we credit H. M. Grayson and Earle Winthrop \$200 each, and E. R. Grayson and G. R. Hart \$150 each.

## MAY 10.

Received from Wm. Wright in payment of his note of April 7th,—cash, \$200. 10 brls. M. Pork, at \$10. (C. B.) Debit Cash for face of the note; credit it for the merchandise bought.

Paid our acceptance of May 4th at Bank, \$437.

Sold M. Grace & Co., 250 brls. Flour, at \$6.50. Received in payment our acceptance of April 8th less discount to maturity. We credit them for the net proceeds less 2% on amount paid on bill. Balance on account. (S. B. & J.)

The net proceeds of the note is 98% of the amount for which M. G. & Co. must be credited. Debit "Bills Pay." and "Mds. Disc." and Credit "Interest and Discount" and "M. G. & Co."

The sales clerk hands in "credit slip" which shows the following credits: Mrs. James Hamilton, \$8.80; Mrs. Chas. Johnston, \$5.55. (Petty Ledger.)

## INVENTORIES, MAY 10.

|                                                  |           |         |
|--------------------------------------------------|-----------|---------|
| Merchandise, . . . . .                           | \$7048.42 |         |
| Shipment to Lee Bros. & Co., . . . . .           | 140.      |         |
| Furniture and Fixtures, . . . . .                | 248.48    |         |
| Building and Lot, 408 6th St., . . . . .         | 16000.    |         |
| Shipment to M. Grace & Co., . . . . .            | 1056.50   |         |
| First National Bank Stock, . . . . .             | 5000.     |         |
| Horse and Wagon Account, . . . . .               | 1150.     |         |
| 21st St. Property, . . . . .                     | 7500.     |         |
| Steamboat "Letitia," . . . . .                   | 12500.    |         |
| 28rd St. Store, Merchandise, . . . . .           | 1700.     |         |
| "    "    Furniture and Fixtures, . . . . .      | 112.80    | 1812.80 |
| Rent of April and $\frac{1}{2}$ of May . . . . . |           | 833.33  |
| Shipment to G. B. Mason & Co., . . . . .         |           | 188.13  |

## INSTRUCTIONS FOR CLOSING, MAY 10.

(1.) Follow instructions 1, 2, 3 and 4 for closing January 31, page 76, but before taking the trial balance, read the following paragraph.

**261. Condensing Personal Accounts.**—In taking the trial balance, write all personal accounts (including the private accounts of the partners, but not their proprietary accounts) on a separate sheet, entering only the balances. Then add the two columns and enter the debit footing in the trial balance (and afterward in the Balance Sheet) as "Personal Accounts Dr.", and the credit footing as "Personal Accounts Cr." (See <sup>21a</sup>Note, and <sup>21b</sup>.)

(2.) Make out a Balance Sheet. If your work is correct, it will show a net gain of \$ , which should be divided among the partners in the proportions specified in the Articles of Agreement. (See page 97.)

(4.) Close Loss and Gain accounts in the Ledger, using the Balance Sheet as a guide. Be careful to enter all inventories and to bring them down on the opposite side after the accounts are closed.

Answer the "Business Man's Questions," page 59, after which you will present your books and papers to the teacher for examination.

## ADJUSTMENT OF INTEREST BETWEEN PARTNERS.

**262.** Many bookkeepers after calculating the interest due each partner, debit interest, and credit the different partners. While the final results obtained by this method are correct, it burdens the interest account with a debit which should not appear there, as that account is intended to represent only the interest and discount arising out of the business transacted with others. Therefore, we think the following adjustment which obviates this objection, will be preferred by all progressive accountants.

**262a. Rule.**—Find the interest due *to*, or owned *by* each partner. Find the difference between the total debits and total credits, and divide by the number of partners. The quotient is the average amount of interest that is due to or owed by each partner, *providing they are equally interested*. Therefore, the partners whose balances are above the average must be credited, and the partners whose balances are below the average must be debited.

**262b.** *When the partners are not equally interested*, the difference between the total debits and credits is divided in the proportion that each partner is interested, which will give the amount of interest that is due or owed by each partner. Those whose balances are above the average must be credited and those below the average debited as before. The sum of the differences above the average and the sum of the differences below the average will always be equal.

### EXERCISES FOR PRACTICE.

**Ex. 1.** A and B are partners. A has interest due him on capital invested, \$185. B has interest due him on capital invested, \$1.15. What is the Journal entry to adjust the matter without passing through the interest account?

#### OPERATION.

|               |       |                                                                   |
|---------------|-------|-------------------------------------------------------------------|
| A's Int.      | \$185 | A Cr. \$185—150 Dr. = \$35 Cr., <i>i. e.</i> , above the average. |
| B's " "       | 115   | B Dr. 150—115 Cr. = 35 Dr., " below " "                           |
| Total Int. 2) | 800   |                                                                   |
| Average Int.  | 150   |                                                                   |

#### JOURNAL ENTRY.

|          |       |
|----------|-------|
| B Dr.    | \$35. |
| To A Cr. | 85.   |

**Ex. 2.** C, D, and E are equal partners. At the time of closing, there is due C for interest on his investment, \$83.50, due D, \$79.60, due E, \$91.80. What is the entry to adjust the matter between the partners?

**Ex. 3.** X, Y, and Z are partners. X invested \$3000 for 1 year, and afterward drew out \$300 for 6 months. Y invested \$3200 for 1 year, and drew out \$900 for 8 months. Z invested \$2700 for 10 months and drew out nothing. Required the Journal entry to adjust.

**Ex. 4.** A has  $\frac{1}{2}$ , B  $\frac{1}{3}$ , C  $\frac{1}{6}$  interest as partners. A is entitled to \$870.50, B to \$265.12, and C to \$220.35 interest, on their investments. Required the entry to adjust.

**Ex. 5.** A invested Jan. 1, \$10,000, July 1, withdrew \$800, and Oct. 1, \$350; B invested Jan. 1, \$7000, Mar. 1, \$3000, withdrew \$6000, and Dec. 1, \$500; C invested Jan. 1, \$400, Sept. 1, \$12,000. Withdrew Mar. 1, \$11,800, July 1, \$1600, Dec. 1, \$1300. Each was to receive interest at 6% on the capital from the time it was invested. Required the Journal entry to adjust the interest.

**Ex. 6.** H. M. Grayson, Earle Winthrop, G. R. Hart, and E. R. Grayson, are partners. H. M. Grayson's net capital is \$23,946.32; Earle Winthrop's net capital is \$18,243.41; G. R. Hart's net capital is \$23,711.11; E. R. Grayson's net capital is \$25,613.88. By agreement between themselves they are to pay and receive to each other without passing through the books of the firm, such sums as will make them equal partners. Required the Journal entry to adjust the matter between them on the firm's books.

**Ex. 7.** E, F, and G are partners in a wholesale grocery and commission business, and after they close their books they find that Commission Sales account has a credit of \$48,500, resulting from the partial sales of consignments received for which no Account Sales have been rendered. They also find there is \$1812 interest due on Bills Receivable, and \$280 on Bills Payable. Allowing 24% commission on the \$48,500; what entries shall be made to adjust the commission and interest?

## CONTINUATION OF SET 8 FROM MAY 10.

The Articles of Agreement between the partners of the firm of H. M. Grayson & Co., have been amended as follows: "Instead of H. M. Grayson and Earle Winthrop sharing  $\frac{2}{3}$  of the net capital, and E. R. Grayson and G. R. Hart sharing  $\frac{1}{3}$ , it is agreed that each partner shall receive interest at the rate of 6% on his capital invested, and be charged at the same rate on all sums withdrawn from his investment, and that the partners shall share equally in the gains or losses."

It has been decided between the partners that, hereafter, all bills purchased are to be paid immediately upon being received, deducting the discount directly on the bill, and writing a check for the net proceeds only. From the stub of the Check-book you will charge Merchandise directly in the Cash-book, with the amount of the check. The bills are then filed as heretofore. This will greatly reduce the amount of work required of the bookkeeper.

NOTE.—This is frequently done by firms who have an ample cash capital. It is the custom of a great many firms, whose credit is A 1, to discount all bills purchased, and if they do not have sufficient cash on hand, they discount their own paper at their bank for short terms of credit. The Invoice-book will be discontinued.

The firm has entered into an agreement with the Star Flour Mills to market the total product of flour manufactured by that mill. H. M. Grayson & Co. are to receive a uniform commission of 10% and are to guarantee the payment of all sales made. They also have a uniform credit of 60 days with the Star Flour Mills.

In order to avoid the necessity of special journal entries for each sale, you will rule an extra column in your Sales-book, in which you will enter all sales effected for the Star Flour Mills. Post the total, at the time of closing, to the credit of Star Flour Mills account.

## PETTY OR CUSTOMERS' LEDGER.

| <i>Mrs. James Hamilton</i>             |   |                                                                                                                              |       |       |
|----------------------------------------|---|------------------------------------------------------------------------------------------------------------------------------|-------|-------|
| <i>Pratt St.</i>                       |   |                                                                                                                              |       |       |
| May                                    | 1 | 3 <sup>00</sup> O. Tea 60 <sup>00</sup> 10 <sup>00</sup> Coffee 25 <sup>00</sup> 16 <sup>00</sup> Sugar 64 <sup>00</sup>     | 5 30  |       |
|                                        |   | 6 <sup>00</sup> Butter 40 <sup>00</sup> 3 <sup>00</sup> Cheese 20 <sup>00</sup> 62                                           | 3     | 8 30  |
|                                        | 3 | Cash                                                                                                                         |       | 5     |
|                                        |   | Balance                                                                                                                      |       | 3 30  |
| <i>James E. Brady, Madison Ave.</i>    |   |                                                                                                                              |       |       |
| May                                    | 1 | 20 <sup>00</sup> Coffee 35 <sup>00</sup> 60 <sup>00</sup> Sugar 64 <sup>00</sup> 20 <sup>00</sup> L.C. Hams 15 <sup>00</sup> | 11 60 |       |
|                                        | 2 | bls Potatoes 3 <sup>00</sup> 15 <sup>00</sup> O. Tea 40 <sup>00</sup> 62                                                     | 10    | 21 60 |
|                                        | 3 | Cash in full                                                                                                                 |       | 21 60 |
| <i>Mrs. Chas. Johnston, North Ave.</i> |   |                                                                                                                              |       |       |
| May                                    | 2 | Corn 25 <sup>00</sup> 2 doz. Eggs 15 <sup>00</sup> 10 <sup>00</sup> Butter 40 <sup>00</sup> 1 bu. Potatoes 125               | 5 55  |       |

This Ledger should be paged and indexed. Each customer is generally allowed a full page. A line is drawn under the cents in each amount, so as to distinguish them from the dollars when adding across the page. Naughts are written where there are no cents for the same reason.

The original form of the Single Entry Ledger is ruled in this style, and is still occasionally found in use, though it has generally been superseded by the ordinary Double Entry Ledger.

## BUSINESS MEMORANDA.—(CONTINUATION SET 8.)

MAY 11.

We have drawn at 60 days' sight on Merchants' Supply Co., on %, for \$425., which we have discounted at bank, net proceeds to our credit.

Sold R. A. Walters, % 60 days: 5 brls. Mess Pork, \$11.; 2 boxes Cheese, 182#, 20¢; 1460# Butter, 28¢; 4 brls. Flour, \$5.90; 2 chests, 140# Japan Tea, 42¢.

Sold Merchants' Supply Co., on % 10 days, 4 boxes Cheese, 240#, 14¢; 15 tubs Butter, 900#, 27¢; 10 brls. Flour, \$5.85.

Received cash for dividend on National Bank Stock, \$181.25.

Sold J. A. Amsbaugh & Co., % 80 days: 100 brls. Mess Pork, \$12.50.

H. M. Grayson withdrew cash for private use, \$75.

Shipped Delaware Commission Co. for our %, 12 brls. Mess Pork, \$12.; 25 brls. Flour, \$4.25; 100 bu.

C. Seed, \$8.25 Prepaid freight 1 car load, \$32.50.

*Memorandum.* Drew a sight draft on Brown & Co. to balance %, and left at bank for collection. (Make no entry.)

Paid our acceptance of the 5th, due to-day.

Retail Dept., Cash-sales for the day, \$286.20.

Cash-sales 28rd St. Store, \$247.21.

81, 73 Bought from M. Grace & Co., "terms cash," bill of May 6, \$4738.88, less 5%. (C. B. See 2nd paragraph, page 108.)

257b, 73 Bought from Pierce, Leonard & Co. bill of May 8 for 28rd St. Store, \$2182.50. Paid in cash, less discount 6%. (C. B.)

251g Sold Dilworth Bros., % 80 days: 250 brls. S. M. Flour, \$5. (Enter in Special Sales-book.)

Sold Wm. Wright, % 60 days: 300 brls. S. M. Flour, \$4.95.

Sold Willis Bros. 290 brls. S. M. Flour, \$5.

Paid for repairing wagon and harness, \$9.85.

Received from Merchants' Supply Co. their note at 90 days in full, which we discount at bank. M. S. Co. pay us the discount in cash.

252 Shipped M. Grace & Co. for sale on commission, 500 brls. S. M. Flour, % and risk of Star Flour Mills. Paid freight, \$26.50.

Received from Hamilton & Co. note of R. Morris & Co., dated April 10, at 90 days, \$8000., which we discount at Bank. By agreement we charge the discount to H. & Co.

Made draft on Hamilton & Co., at 60 days, for such an amount that when discounted at bank the net proceeds would balance their account.

Paid collection charges, 75¢.

We charge S. F. M. % for delivering flour, \$48.50. (J.)

MAY 12.

Sold R. A. Walters 80 brls. Mess Pork, at \$12.60, for note at 60 days, which we discount at Bank.

250d Paid cash to S. F. Mills to apply on % of sales, \$1750.

Received cash from J. A. Amsbaugh & Co. in settlement of % to May 10.

Bought in open market for cash: 2600 bu. Wheat, at 80¢.

79d Merchants' Supply Co. have reported 60# of Butter unsalable, sold them on the 11th. We have given them a rebate of 25¢ per lb.

208b H. M. Grayson and Earle Winthrop have each withdrawn from the firm for private investment, \$2500.

Sold Chas. P. Wilson & Co., % 60 days: 128 brls. S. M. Flour, \$5.

Transferred to 28rd St. Store 8 brls. S. M. Flour, \$5.

Paid C. M. Russell & Co. in full for bill May 2 less 2%.

107b, c Shipped Nash & Botsford, Liverpool, England, by steamer Neptune, for % of M. Grace & Co. as per instructions, 1000 brls. S. M. Flour, \$4.90; - - - Paid shipping charges \$114.32; Insurance, \$198.40.

Cash-sales for the day, \$297.38; - - - Cash-sales 28rd St. Store, \$312.29; - - - Cash-sales Retail Dept., \$421.12.

250c Dilworth Bros. report 12 brls. S. M. Flour below grade and damaged. We allow them a rebate of \$1.50 per brl.

Bought from Reed, Brown & Co., Chicago, % 80 days, 4% discount for cash, 1 car load, 450 bu. Wheat, 70¢. Paid freight on same, \$37.20. Remitted check in payment.

## MAY 18.

R. A. Walters has transferred to us, by special endorsement, draft at 30 days' sight in his favor, drawn by J. H. Richards on Holmes & Co., accepted April 25, which we have placed to his credit, less discount to maturity, \$150. We have discounted the draft at bank, and had proceeds credited.

- 790 J. A. Amsbaugh & Co. have returned as unsalable, 1 brl. Mess Pork, purchased May 11, which we have credited on their bill, \$12.50.
- Paid Woodworth & Co. balance of % as follows: Draft at 30 days on Henry Smith, which is accepted, \$150.; draft at 30 days on John Swan & Co., which is accepted, \$238.80; draft at 30 days on J. A. Amsbaugh & Co., which is accepted, \$1200. For the balance we discount our note at 30 days at the bank for such an amount that the net proceeds will pay the balance of % and the discount on the three drafts to maturity.
- 245 Shipped Beck, Boggs & Co., New York, for sale on commission, 225 brls. S. M. Flour, at \$5.50, on our own % and risk.
- Charles King's Sons' note, of April 7, which was left at bank for collection, is reported paid. Collection charges, 60¢.
- Sold J. A. Amsbaugh & Co. on %, 3000# mixed feed, at 2½¢.
- Paid clerks' and teamsters' salaries for the week, \$180.
- Paid J. W. Haney & Co. for freight and drayage for the week, \$24.65.
- 301 By a fire in our store-rooms there was destroyed a quantity of merchandise estimated at \$942.50. The German Insurance Co. pay us cash in settlement of loss, \$875.
- hg. H. & W. % Paid for repairs on wagon, \$18; - - - Paid for repairs on 28rd St. Store, \$19.12.
- Our teamster reports drayage for 28rd St. Store to date, \$37.50.
- 204/ E. R. Grayson invests cash, \$1800; - - - Paid each partner cash on account of salary, \$75.
- 151 Paid taxes on 28rd St. property, \$36; - - - On Earle Winthrop's residence, \$68.50; - - - Business tax, \$20.
- Paid for Stamps, Telegrams, Messengers, etc., per Petty Cash-book, \$17.93.
- 253 Sold following bills of S. F. M. Flour: S. S. Martin, % 30 days, 300 brls., \$4.60.
- Harry Arnold & Co., % 60 days, 480 brls. \$4.55; - - - Kennedy & Richards, 60 days, 75 brls., \$4.70.
- Johnston & Davis, 30 days, 800 brls., \$4.50, Freight prepaid, \$485.50.
- Jas. Harris, on %, 5 brls., \$5.
- Sold Woodworth & Co., net cash: 300 chests Mixed Teas, 21000#, 40¢.
- Sold Hamilton & Co., % 60 days: 750 chests Mixed Teas, 10500#, 40¢; 30 sacks R. Coffee, 1800#, 25¢.
- 151 Paid cash to Poor-Relief Fund, \$100; - - - Cash-sales, per cash-drawer, \$671.20.

## MAY 15.

- Received from Merchants' Supply Co. draft at 90 days, on M. Thomas & Co., for \$160, which they have paid less discount to maturity.
- Received account sales from G. B. Mason & Co. for shipment of May 5. Net proceeds, \$346.50 less draft of May 8, received in note at 60 days, dated May 12, which we discount.
- Sold Kennedy & Richards, % 60 days, 300 brls. Mess Pork, \$9.80.
- Collected rent due to date on building #408 8th St., \$187.50.
- Received account sales in full from Lee Bros. & Co. Net proceeds by draft on New York, \$203.
- Sold R. A. Walters on %: 200 brls. Mess Pork, \$9.60; 14000# Lard, 7½¢.
- Sold M. Grace & Co. 300 brls. Flour, at \$4.65; 200 brls. Mess Pork, at \$9.60.
- Received cash for 8 brls. S. M. Flour, \$6; - - - Advanced cash to S. F. Mills on %, \$8500.
- Bought following bills:
- Nash & Botsford, 60 days, c/4%, bill of May 11, \$3948.60. Remitted our check.
- Reed & Fisher, for acceptance at 4 months, which we discount to maturity, bill of May 9 \$4834.43.
- Gilroy & Co. for 28rd St. Store, less 6%, bill of May 11, \$1921.32. Remitted check.
- See Note, p. 103 97c Discounted our note for 10 days at bank, \$10000.
- The steamer "Letitia" was injured by collision at sea. The total repairs cost \$8000 over and above the insurance received. We pay 1/10 in cash, \$800.
- Geo. R. Hart withdrew cash, \$8600.
- 255a Sold Geo. R. Hart for consignment on private %, 200 brls. S. M. Flour, at \$4.80.
- Cash-sales per cash drawer, \$203.21; - - - Cash-sales Retail Dept., \$498.41; - - - Cash-sales 28rd St. Store, \$436.83.
- Paid cash for 4 show cases, 28rd St. Store, \$75.
- 151 Paid for plate glass and setting in front of store, \$114., to be credited on our rent.
- Paid rent for April and May, \$500, less amt. paid for glass.

## MAY 16.

Received from J. A. Amsbaugh & Co. their draft on Holmes & Co. at 45 days for \$500., which is accepted. They also remit cash for the discount on this draft to maturity. We discount the draft at bank.

Our draft at sight on Brown & Co. is reported collected by the bank and placed to our credit, less 25¢ for collection charges.

80¢ 5 tons of Hay were taken for the use of teams, \$10.65.

Sold M. Grace & Co., % 80 days: 1200 bu. Wheat, 96¢; 500 bu. Corn, 46¢, 2000 bu. Oats, 28¢.

Sold Wm. Hamilton, Fredericksburg, Va., U. S. Ex., C. O. D.: 1 box fine Candies, at \$13.50; 8 boxes Valencia Raisins, \$15.

Charge U. S. Ex. Co., C. O. D., not Wm. Hamilton.

When goods are shipped C. O. D. (collect on delivery), it is the custom to charge the Express Company with the amount of the bill instead of the party to whom the goods are shipped, because the Express Company is responsible to you directly.

180 Received from James & Co., Des Moines, Ia., who are our purchasing agents: Invoice of Wheat, Oats and Corn, \$3140. We have remitted draft on New York for amount of the bill less 2%, and for their commission of 1/4%.

Paid freight and drayage on above, \$94.

Paid sundry expenses per Petty Cash-book, \$11.88.

Sold Chas. P. Wilson & Co., % 10 days: 800 chests Y. H. Tea, 21000¢, at 85¢.

Cash-sales per drawer, \$594.50; S. M. F. %, \$148.25; Retail Dept., \$422.10; 23rd St. Store, \$748.64.

## MAY 17.

128¢ Bought from M. Thomas & Co., their draft on Sheldon & Son at 80 days' sight for \$180, less 86 days' discount.

Sold Merchants' Supply Co. on % 45 days: 190 brls. Mess Pork, \$12.50.

Received cash from steamboat "Letitia," net earnings for the last trip, \$714.

Sold J. A. Amsbaugh & Co. for cash: 825 brls. S. M. Flour, at \$5.40.

Cash-sales per cash drawer, \$125.12; Retail Dept., \$928.70; 23rd St. Store, \$408.88.

Bought from M. Grace & Co. for cash less 4%: 8 bills of May 15, \$12342.19.

Received cash from Henry Smith to balance %.

Paid Freight bills to date, \$184.60, \$34.12 of which are for 23rd St. Store.

Received cash, \$1960, from M. Grace & Co., to apply on %, less 2%.

109, 73 Wells & Ray instruct us to ship for their account by steamer "Letitia," to Danvers & Grayson, Liverpool, Eng., prepaying freight and insurance: 2000 brls. S. M. Flour, at \$4.95. We pay Freight, \$436.80; Insurance, \$97.88. Our charge for drayage to boat is \$75. They have given us their note at 60 days for the amount of the bill, with interest included in its face, which we discount at bank.

## MAY 18.

Sold J. A. Amsbaugh & Co., % 60 days: 45 brls. Sugar, 8000¢, 8¢; 800 brls. Apples, \$3; 65 tons Hay, \$10.65.

Cash-sales, wholesale, \$248.98; S. F. M. %, \$215.60.

Paid cash for repairing sign, \$35; for bill heads, envelopes, etc., \$16.50.

250¢ Paid for cooerage on flour shipped Danvers & Grayson, \$12.60.

79¢ Bought from Lewis Bros., Havana, Cuba, invoice of Key West Cigars, \$1468.50. Paid Custom House duties, \$245.85; Freight, \$17. Remitted them New York draft in full.

Cash-sales Retail Dept., \$209.60; - - - 23rd St Store, \$514.73.

184¢ The Hotel Wilson has failed and paid us 50% on note of May 6th. The balance is lost.

Received cash from J. A. Amsbaugh & Co., to balance %.

## MAY 19.

100 bu. Corn, 87 1/4¢; and 500# Rye Chop, 2¢, were taken for the use of horses.

Sold Swan & Co., % 10 days: 10 brls. N. O. Molasses, 490 gals. 80¢; 100 bu. Beans, \$1.90; 10 brls. Flour, \$6.05.

Received cash from U. S. Ex. Co. for goods shipped C. O. D. on 16th.

Bought Mdse. from Nash & Botsford, for cash, less 3%, \$9854.98.

253 Received Account Sales of consignment of S. M. Flour, shipped May 11, to M. Grace & Co., net proceeds we charge to their %, \$2941.92.

Sold Kennedy & Richards, % 80 days: 350 brls. S. M. Flour, \$4.80.

Sold M. Grace & Co., % 60 days: 200 brls. M. Pork, \$11.50; 3000 bu. Wheat, 95¢; 4000 bu. Corn, 40¢.



MAY 19, CONTINUED.

- J. A. Amsbaugh & Co. pay their note of March 17 with interest to date. They also pay their note of May 9, less discount to maturity.
- Geo. R. Hart has purchased the entire stock of the 28rd St. Store at Inventory price, and will hereafter conduct it as a private business, still retaining an interest with H. M. Grayson & Co. without salary. The amount of the Inventory is \$4106.14, which is to be charged to his partner %. His salary to date is \$185.
- Received Account Sales from M. Grace & Co. of shipment to them on April 15. Net proceeds received in cash, \$1812.10. Also their check on %, \$2500.
- 184 Jas. Harris has failed in business. We have lost his account as he is entirely insolvent. Cash-sales Retail Dept., \$1001.98; - - - Cash-sales 28rd St. Store, \$124.60.

MAY 20.

- Received account sales from Delaware Com. Co., net proceeds \$784.16, for which they send us draft at 30 days' sight on J. A. Amsbaugh & Co., which we have charged to their account.
- Credit H. M. Grayson and Earle Winthrop each, % of Salary, \$300. E. R. Grayson, \$150.
- See p. 102 Calculate the interest due and owed by each partner, and make proper entry to adjust the matter without passing through the Interest account.
- The debits or credits arising out of the entry adjusting interest between the partners may be posted to the partner account or private account of each proprietor as he may desire. In this set we have carried the items to the private accounts.

INSTRUCTIONS FOR CLOSING, MAY 20.

After you have entered and posted the transactions, filed the business papers, checked the Bill-books, ruled the accounts that balance, and taken a trial balance according to instructions 1, 2, 3 and 4 for closing January 31, page 76, you may make out a Balance Sheet, and close the Ledger, first reading the following paragraphs:

- Enter the personal accounts on a separate sheet, as you were instructed for May 10.
- If your work is correct the Balance Sheet will show a net gain of which is to be divided among the partners as per agreement.
- Your attention is especially called to the Inventory of 1% allowed on the total balances due the firm on personal accounts. This 1% off is not intended to apply to any particular account, but to the accounts in general, as every conservative firm expects to lose some portion of its outstanding accounts. What this per cent. should be is determined by the proprietors, usually from past experience.
- When an individual account cannot be collected, or the financial condition of the person or firm is such as to make his account doubtful, it may be also treated in this way. A statement should be prepared taking all such accounts as may appear on your Ledger, and some percentage of the total footing as may be deemed advisable may be entered as a liability inventory in the Loss and Gain account when the Ledger is closed.\* This statement should be filed with the Balance Sheet.
- In this way a conservative estimate of the actual resources may be secured without in any way disturbing the different personal accounts. When an account cannot be collected, and is finally disposed of, it should be closed directly into the Loss and Gain account.

INVENTORIES, MAY 20.

|                                                                                           |          |
|-------------------------------------------------------------------------------------------|----------|
| Furniture and Fixtures 10% off for depreciation.                                          |          |
| Freight account (freight bills unpaid), . . . . .                                         | \$ 31.22 |
| Commission 10% on our total sales for Star Flour Mills, earned and not entered, . . . . . | 8591.08  |
| Bank Stock has increased 1% in value.                                                     |          |
| Horses and Wagon account: allow 5% off for depreciation by wear and tear.                 |          |
| 28rd St. Property, . . . . .                                                              | 7500.    |
| Building and Lot, 408 6th Street, . . . . .                                               | 16000.   |
| Steamer Letitia, . . . . .                                                                | 12500.   |
| *Loss and Gain 1% on Personal Accounts Dr. (except G. R. Hart's private %)                | 572.34   |
| Rent prepaid to June 1, . . . . .                                                         | 88.88    |
| Merchandise, . . . . .                                                                    | 4600.    |

\*The Inventory indicated above is entered after all other accounts showing losses and gains having been transferred and just prior to closing the L. & G. into the partner's account. The Inventory is brought down on the opposite (credit) side of the account after it is closed.

## ADJUSTMENT OF LOSSES AND GAINS, INVESTMENTS, ETC., BETWEEN PARTNERS.

The following exercises or problems, as well as all others given you in this book, are similar to those that have been submitted to us as expert accountants by firms, partnerships, etc. Many more that are much more intricate and perplexing could be given.

Follow the Rule given for Adjustment of Interest between Partners, page 102, and apply the General Law to such cases as are not covered by the rule.

1. J. A. Amsbaugh and F. H. Doughty are equal partners. Doughty retires from the firm, and an adjustment is required. The partners' accounts stand as follows: Amsbaugh, debtor, \$6100, credit, \$8100; Doughty, debtor, \$5100, credit, \$7800. They divide their resources and liabilities as follows: Cash, which Doughty takes to his account, \$4400; Bills Receivable, which he also takes to his account, \$3700; merchandise on hand, which Amsbaugh takes to his account, \$5600; they owe on notes which he assumes, \$2200; Personal accounts receivable, on which he is allowed a discount of 10% for bad debts, \$6300; Personal accounts payable, which he assumes, \$1100. The total net credit of Loss and Gain %, after all L. and G. accts. are closed, is \$12000. Required, which partner is indebted to the other, and what amount, with Balance Sheet. *Ans. A. Dr. to D. \$285.*

2. A and B are equal partners. They wish to dissolve partnership and divide their resources and liabilities between them. The Ledger accounts stand as follows: A is debtor \$1300, credit \$4500; B is debtor \$1425, credit \$4500. Expense, debtor \$1350, credit \$1617; Merchandise, debtor \$23400, credit \$22950. Inventory, which B takes to his account, \$4650; cash on hand, which A takes to his account, \$1395; Bills Receivable, which A takes, \$5051; Accounts Receivable, which B takes to his account, being allowed a discount of 16% for bad debts, \$2347; Accounts Payable, which B assumes, \$1985; Store and Lot, which A takes to his account, \$2450; Bills Payable, outstanding, which A assumes, \$1133. Commission % is credited \$2033. Required, the amount one must pay the other in cash, and the entry for the same on the firm's books.

3. J. A. Amsbaugh is an owner of a steel works; the plant, machinery, etc., belonging to the works are worth \$75000, which is placed to the credit of his capital account in the set of double entry books. He agrees to admit as equal partners, without taking any inventory or closing the books, M. Grace and Earle Winthrop, upon their paying into the firm \$25000 each in cash, and paying him a bonus of \$20000 each in cash. Required, the Journal entry for admitting the new partners.

4. A and B are proprietors of a coke-plant. A has \$38000 and B \$38000 to the credit of their stock accounts. The good will of the firm is valued at \$15000. They agree to admit C and D as equal partners upon the payment of such a sum to the old partners as will entitle each of the four partners to a  $\frac{1}{4}$  interest in the business. Required, the Journal entry in the firm's books.

5. G, H, and I are partners sharing in proportion to their respective investments. G has \$13860 invested, H \$24630, and I \$17500. J was admitted upon paying into the firm such a sum as would entitle him to a  $\frac{1}{4}$  interest. G, H, and I are to pay and receive such sums among them as will make each an equal  $\frac{1}{4}$  partner. Required, the Journal entry in the firm's books and in the private books of each partner.

6. R's net capital is \$1500. He has a note outstanding of \$1500. He agrees to admit S as a  $\frac{2}{3}$  partner upon his lifting the note of \$1500. Required, the Journal entry in the firm's books.

7. W. H. Manning and J. C. Blair are partners in the iron business. The Ledger accounts stand as follows: W. H. Manning debtor, June 1, \$400; Sept. 1, \$1800; credit, Jan. 1, \$13400. J. C. Blair debtor, Aug. 1, \$390; April 1, \$1650; credit, Jan. 1, \$15200. Machinery account debtor \$9980, present worth 2% off; Nail Dept. account debtor \$33960, credit \$35860, nail wrought iron on hand \$5390; General Merchandise Iron account debtor \$12300, credit \$8900, Inventory \$8130; Expense \$3830; Carbon Steel Co. Consignment of Pig Iron account debtor \$913, credit \$4875, Commission 5% on sales earned and not entered; Commission account credit \$714; Interest account debtor \$56, credit \$200, Interest due us on notes not entered \$34; Personal accounts debtor \$8410; Cash \$4030, Bills Receivable debtor \$300, Worthless note on hand \$165. W. H. Manning's personal account debtor \$1130.

Manning is to have 10% of the net gain from the Nail Department, and J. C. Blair is to have 10% of the net profit from the General Merchandise account and 5% of all commissions earned on sales for the Carbon Steel Co. After their private accounts have been credited with these amounts they are to share in gains and losses equally, and receive interest on their net investment, paying a like rate on the sums withdrawn.

They wish to admit H. M. Grayson as a partner. He is to pay into the firm such a sum as will entitle him to a  $\frac{1}{3}$  interest in the new firm. Each partner's net investment is to be the same. The good will of the old firm is estimated at \$7000. Required, *first*, the adjustment of interest between the partners without passing through the Interest accounts; *second*, the Balance Sheet showing the net capital of the partners; *third*, the Journal entry for the admission of the new partner; *fourth*, the amount Manning must pay Blair so that their capitals shall be equal, and the Journal entry to adjust.

## INSTRUCTIONS FOR CONTINUING SET, MAY 20.

By agreement between the partners, they are to pay to each other out of their private funds, without passing through the firm's books, such sums as will make each partner's net capital equal one-fourth of the total present net capital. They will then share in gains and losses equally.

In addition to his salary, E. R. Grayson is to receive a special commission of 1% on the total sales of the Retail Department.

H. M. Grayson and Earle Winthrop are to divide equally 3% of the commission earned on sales for the account of the Star Flour Mills. They are also to divide 1% of the net profits on the sales of merchandise. These special gains are to be credited to the partner's private accounts. (See <sup>255</sup>c, page 85.)

**NOTE.**—In order to ascertain the gross sales of the Retail Department, open a special account under that heading, to which you will post all sales made from that department. This account will close into the merchandise account before the inventory is entered.

## MEMORANDA (SET 3, CONTINUED).

The partners have paid to, and received from each other such amounts as make them equal partners in the business, with net credits aggregating their present total net capital. Make the proper entry to adjust the matter.

## MAY 22.

- Received cash from Merchants' Supply Co. in full of account to May 16th.
- Received from M. Grace & Co., New York, to apply on account, \$1000.
- Received cash from Kennedy & Richards for bills of May 18th and 15th, less 1%.
- Bought from H. M. Danvers & Co. for cash, less 2%, invoice of May 16th, foreign Fruits, \$2641.96.
- Bought from Grace & Co. for cash, less 4%, invoice of May 18th, \$1796.99.
- Sold Hamilton & Co., terms cash, less 2%,  $\frac{1}{80}$ ; 288 Chests mixed Tea, 16800#, 30¢; 1 car load (270 bunches) of Bananas, @ \$1.50 a bunch.
- Sold Kennedy & Richards: 112 brls. Mess Pork, \$10.50; 3500# S. C. Hams, 12½¢; 4500# Lard, 8¢.
- Received from G. R. Hart cash to balance his private account.
- Cash-sales, Retail Dept., \$1116.11.
- Sold M. Grace & Co., accbunt 80 days; 250 brls. S. M. Flour, \$4.90; Prepaid Frt., \$112.50.
- 151 Our horse, "John," died of the colic. Paid fall master for his services in removing the carcass, \$5.
- 100 Paid for sorrel horse, "Charlie," to replace "John," \$175.
- Sold for cash 25 shares of Bank Stock, @ \$55 a share.
- Paid salaries of employees to date, \$214.
- Received cash from G. R. Hart for rent of 23rd St. Property to June 1, \$35.

## MAY 23.

- 99-100 Sold Building and Lot, #408 6th St., to a number of gentlemen who have formed a Joint Stock Co., known as the Grayson Building Co., who propose to build a large office-building. We have received in payment 200 shares of the stock of the new company at \$100 per share.
- John Swan & Co. present order on Earle Winthrop for lawn-mower, purchased by Winthrop, which we pay and charge to his account, \$14.
- Paid cash to S. F. Mills, on account, \$4250.; - - - Cash-sales, Retail Dept., \$720.12.

## MAY 23, CONTINUED.

Received from Woodworth & Co., on account, their note at 60 days, which we discount at bank, \$1500.

Discounted at bank draft on Sheldon & Co., received May 17th. Also note of J. A. Amsbaugh & Co., received April 24th.

## MAY 24.

Sold C. M. Russell & Co., terms cash, less 3%: 20 brls. M. Pork, \$9.45; 93 Chests Y. H. Tea, 6510#, 36¢.

Cash-sales, Retail Dept., \$945.12.

Sold Wells & Ray; 1000 brls. S. M. Flour, \$4.60, account 60 days. They have remitted us their note at 60 days, in part payment \$3000, which we discount at bank.

## MAY 25.

Received Account Sales of Shipment to Beck, Boggs & Co., May 18. Net proceeds received in note at 30 days, which we discount at bank, \$1136.

Paid cash to S. F. Mills, \$3760; - - - Cash-sales, Retail Dept., \$847.85.

1876 Sold by auction for cash, a quantity of goods slightly damaged, \$1760. Paid auctioneer's commission of 2%.

## MAY 26.

Received cash from Hamilton & Co., for bill of May 13, less 1%.

Received cash from R. A. Walters, in full of account to May 15th.

Cash-sales, Retail Dept., \$875.36.

## MAY 27.

Received from M. Grace & Co. their draft on H. M. Danvers & Co., at 60 days, for \$2412.20, which Danvers & Co. prepay, less discount

Received cash in full from Chas. P. Wilson & Co., less 1%; - - - Paid freight bills, \$33.10.

## MAY 28.

Our note of April 24th, in favor of J. A. Amsbaugh & Co., is due to-day. We credit it to their account.

For accommodation of bank which is short of cash we prepay our two notes of May 18th and 15th, less discount to maturity.

Cash-sales, Retail Dept., \$885.84.

Received cash for Coleman & Rogers' note, due to-day, \$75. We also discount Mercer & Co.'s acceptance at bank.

Sold G. R. Hart on %: 30 bls. Flour, \$4.50; 10 Ch. 700# Mixed Tea, 40¢; 5 brls., 1500# G. Sugar, 4¢.

Shipped Beresford & Co., Paris, for account of M. Grace & Co.: 3000 brls. S. M. Flour, at \$4.60.

Paid shipping charges, \$437.21; - - - Paid Salaries to date, \$217.50.

Paid H. M. Grayson, \$160; E. R. Grayson, \$85; and Earle Winthrop, \$115.

## MAY 29.

Sold Harry Arnold & Co., % 30 days, c/2 %: 24 brls. Apples, \$3; 2 brls. M. Pork, \$12; 16 bls. Sugar, 4810#, 4¼¢; 2 brls. M. Beef, \$12.50; 3 cases Eggs 330 doz., 15¢; also 180 brls. S. M. Flour, \$4.75.

We have been instructed by Wells & Ray to duplicate their order of May 17. We do so, charging them at the rate of \$4.70 per brl. We prepaid Freight and paid Insurance in cash, \$516.34; Our drayage charges, \$75.

Received cash from Dilworth Bros. in full; also from S. S. Martin & Co., less 1%.

We receive from Willis Bros., in settlement of bill of May, H. M. Grayson & Co.'s draft on Nash & Botsford, New York, for \$1600, which we discount at bank for 49 days. We credit Willis Bros. with the net proceeds and pay the difference in cash.

Cash-sales, Retail Dept., \$1346.54.

Sold Johnston & Davis: 300 brls. M. Pork, \$12.20. Paid cooperage, \$37. We receive from them invoice of May 26, \$14960.90, which we credit to their account.

Received cash from Wm. Wright in full,

R. A. Walters paid his bill of May 15, less 2%.

## MAY 31.

Received cash from John Swan & Co. in full.

Received cash from Woodworth & Co. in full, with interest on \$6900 for 17 days.

Paid S. F. Mills on account, \$20000; - - - Credit each partner with salary to May 31st.

Cash-sales, Retail Dept., \$856.39.

Rendered Account Sales of Flour sold for account of the Star Flour Mills: Total sales, \$ . . . . ;

Charges posted, \$ . . . . ; Our commission, at 10%, \$ . . . . ; Cash advanced, \$ . . . . ; Balance due them, \$ . . . .

Make proper entry, debiting them with the commission.

## INSTRUCTIONS FOR CLOSING, MAY 31.

After following instructions 1, 2, and 3, page 76, preparatory to closing the Ledger, take a trial balance. If you find it correct, then close the Freight and Merchandise Discount accounts into Merchandise.

You are now ready to calculate and make Journal entries to adjust the special commissions which each partner is to receive for special attention given to certain departments, as indicated in the instructions for continuing the set, May 20. (Credit the partners in their private %.)

First, foot and transfer the credit of Retail Department account to Merchandise; then calculate the commission due E. R. Grayson, and make the proper Journal entry, debiting Mdse. (see 87), and crediting Grayson.

Next, calculate the commission due H. M. Grayson and Earle Winthrop earned on the sales of flour. This commission is calculated only on the sales since May 20. Make the proper Journal entry to adjust, debiting Commission. You will then calculate their special net profit arising from the sales of Merchandise, and make the proper Journal entry to adjust, debiting Loss and Gain, and crediting Winthrop and H. M. Grayson.

You are now ready to post the special adjusting entries and to make out a Balance Sheet in the usual way, which you will proceed to do. If your work is correct, the Balance Sheet will show a net gain of \$ . . . . which, according to agreement, is to be divided equally.

**NOTE.**—In large concerns, where each partner has charge of and gives his special attention to a distinct department, it is not unusual for that partner to receive a special percentage of the profits of that department, as has been indicated in the above closing.

Close the Ledger, using your Balance Sheet as a guide. In closing such accounts as "Steamer Letitia" and "Grayson Building Stock," that have the same inventories as at the previous closing, and have received no entries since the last closing, it is not necessary to make any entry at all, as the account simply remains in its present condition.

When you have completed your work up to this point, present all your business papers and books to the teacher for examination.

## INVENTORIES.

|                                           |          |
|-------------------------------------------|----------|
| Furniture and Fixtures. . . . .           | \$228.59 |
| Bank Stock, 75 shares, at \$55, . . . . . | 4125.    |
| Horse and Wagon %, . . . . .              | 1050.    |
| Steamer "Letitia," . . . . .              | 12500.   |
| Merchandise, . . . . .                    | 7814.65  |
| Grayson Building Co. Stock, . . . . .     | 20000.   |
| Twenty-third Street Property, . . . . .   | 7500.    |

## SYSTEMS OF BOOKKEEPING.

**262½.** In the work of the preceding sets, you have been using what is known as the *Double Entry* system of bookkeeping. By this system the books are made to show the double effect of each transaction,—the debit effect *and* the credit effect upon the accounts kept with persons, property, or services,—that is, there are one or more debits and one or more credits in every transaction; and, by the unchangeable principles of debit and credit based upon the General Law (64–67), these two effects (the sum of the debits and credits) are always found to be equal.

**263.** There is another system of bookkeeping known as *Single Entry*. The name “Single Entry” implies that each transaction has only a single effect,—that is, a debit effect *or* a credit effect. In other words, there is only a single debit or a single credit without any corresponding opposite entry.

<sup>263a</sup> By this system, accounts are kept in the Ledger with persons only, whereas in Double Entry, accounts are kept with persons, property, uses, and services.

<sup>263b</sup> From this it will be seen that in Single Entry, accounts being kept with persons only, it is impossible to ascertain the sources of gains or losses in detail, and for this reason it is seldom used, though formerly it was very much in vogue.

<sup>263c</sup> The net loss or gain is found by taking the difference between the total resources and liabilities. If the net capital of the proprietor, i. e., the difference between the resources and liabilities, is greater than at the time of the last closing, the difference is the net gain; if less, the difference is the net loss.

<sup>263d</sup> If there has been an increase in the net resources or a decrease in the net liabilities, it represents a gain. If there has been a decrease in the net resources or increase in the net liabilities, it represents a loss. (See 178–182.)

<sup>263e</sup> Accounts are sometimes kept with expenses, merchandise, property, etc., but to this extent it is Double Entry bookkeeping.

**264.** The preference for Double Entry over Single Entry is due to the fact that it furnishes more general and complete information regarding the business, the sources of outlay, as well as the sources of income, as shown by Merchandise, Property, and other loss and gain accounts. While the resources and liabilities, and the net result of a business (as shown in the net loss or gain) and hence, also the proprietor's net capital or net insolvency at closing, may be found at any time as readily by Single Entry as by Double Entry, no itemized account of gains and losses can be had.

Besides this, the opportunities for error and fraud are so greatly increased, and the very information which is most important to the business man in safely conducting his business (as shown in the facts to be gathered from loss and gain accounts) is so much obscured that Single Entry bookkeeping as a system must ordinarily be discarded by the judicious business man.

## SET 4.

## SINGLE ENTRY BOOKKEEPING.

*The purpose* of this set is partly to show how books are kept by Single Entry, but more especially to show how to change books from Single Entry to Double Entry.

**265.** *The books used* in Single Entry are the Day-book, Cash-book, and Ledger. The Cash-book is an auxiliary book, kept merely for the purpose of recording the receipts and payments of cash, and to prove the cash on hand. <sup>265a</sup> Other auxiliary books, such as the Bill-books, Invoice-book, Order-book, Sales-book, etc., may be kept when the needs of the business require them, but all postings in pure Single Entry are made from the Day-book. When postings are made directly from the auxiliary books, it is an approach to Double Entry bookkeeping.

**267.** The Single Entry Cash-book may be used as a book of original entry, in which case all cash received and paid on personal accounts would be posted directly to the Ledger (as in Double Entry) and, consequently, there would be no need of entering these items in the Day-book. We indicate in the Cash-book shown, the entries that would be posted direct to the Ledger by giving the Ledger-page. Those that are not posted are indicated by a check (✓). You will observe in the form of the Day-book shown, a cross (×) in front of those entries that would be omitted in the Day-book when the Cash-book is used as a principal book and posting-medium. The Cash-book is balanced daily, weekly, or monthly, but should be proven daily.

**268.** The form of the Day-book and the Cash-book is that of an ordinary two-column Journal. In the Cash-book the left-hand money-column is used for receipts, the right-hand column for payments of cash. In the Day-book the left-hand money-column is used for items, and the right-hand column for extensions of totals.

**269.** When a debit or a credit consists of but one entry, it is written only in the right-hand column. You will observe that the Day-book is practically the same as the Blotter shown on page 55, the only difference being that the abbreviations Dr. and Cr. are used to show when persons are debited or credited.

**270.** When the Cash-book is made a principal book and used as a posting-medium (see 267), the abbreviations Dr. and Cr. should be used there also, or, what is preferable, the ordinary form of the Double Entry Cash-book may be used and such items as affect personal accounts or any other accounts that may be kept, are posted directly to the Ledger. The form of the Cash-book here shown, while distinctly Single Entry style, is seldom used, as the Double Entry form is generally preferred.

For the purpose of illustrating the Single Entry Cash-book and Day-book, the transactions for the first day of this set are entered here as they would appear when written up in these books. The Ledger is the same as that used in Double Entry, except that the center column form is used. For explanation, see page 120.

#### INTRODUCTION TO SET 4.

George R. Hart, desiring to secure your services in his store on 23rd St., makes you an offer which you decide to accept, consequently you resign your position as bookkeeper for H. M. Grayson & Co. You are to invest \$2200 cash, and become a partner with Mr. Hart, the style of the firm to be George R. Hart & Co. In consideration of this investment and your services as cashier and bookkeeper, you are to receive one-third of the profits of the business.

Mr. Hart has been conducting the business largely on a cash basis, extending credit to a limited list of customers, who for convenience pay their bills weekly or monthly. The following statement made by Mr. Hart from his old Ledger, May 31, shows the resources and liabilities at that date.

#### STATEMENT OF RESOURCES AND LIABILITIES.

MAY 31, GEO. R. HART.

##### *Resources.*

|                                               |               |
|-----------------------------------------------|---------------|
| Merchandise (Inventory), . . . . .            | \$4000.       |
| Furniture and Fixtures (Inventory), . . . . . | 150.          |
| Cash (per Cash-book), . . . . .               | 586.94        |
| Personal Accounts Receivable (per Ledger):    |               |
| Mrs. James Hamilton, . . . . .                | \$123.07      |
| The Press Club, . . . . .                     | 195.61        |
| Fredonia Hotel, . . . . .                     | 234.83        |
|                                               | <u>553.51</u> |
| Total Resources, . . . . .                    | 5290.45       |

##### *Liabilities.*

|                                               |                |
|-----------------------------------------------|----------------|
| Personal Accounts Payable (per Ledger):       |                |
| H. M. Grayson & Co., . . . . .                | 475.           |
| S. S. Martin & Co., . . . . .                 | 143.50         |
| M. Grace & Co., . . . . .                     | 271.35         |
|                                               | <u>889.85</u>  |
| Total Liabilities, . . . . .                  | 889.85         |
| Net Capital (May 31), Geo. R. Hart, . . . . . | 4400.60        |
| Investment (May 19), . . . . .                | 4106.14        |
|                                               | <u>8506.74</u> |
| Net Gain, . . . . .                           | 294.46         |

## INSTRUCTIONS FOR OPENING SINGLE ENTRY BOOKS.

Mr. Hart has been keeping the accounts in the old books furnished by H. M. Grayson & Co., from which statement (May 31, page 113) was made. You will now open a new set of books, using the Cash-book, Day-book, and Ledger.

This being a retail grocery business, an Order-book may be kept, in which are entered all orders received for goods to be delivered. When they are paid for at the time of ordering, the word "Paid" is written on the margin of the order, and the money placed in the cash-register or drawer. When bought on account, the entry is made from the Order-book into the Day-book, as shown.

Make the opening entry in the Day-book as shown in the model below. The form of the Cash-book and Order-book is also given you on page 115. Trace each transaction from the Business Memoranda to the book in which it is entered and observe the form in which each entry is made.

Open Geo. R. Hart's account at the top of the first vacant page in the Ledger, in which he will be credited for his net capital. Reserve the lower half of the page for your own account. Allow one-third page each for personal accounts.

Four days' business will be written up in the Single Entry Books, after which they will be changed to Double Entry. You must understand that such changes do not occur so frequently in business, but the set is given only for the purpose of illustrating the opening, keeping, and closing of a Single Entry set of books, and changing them to Double Entry.

## SINGLE ENTRY DAY-BOOK.

JUNE 1,

| L. F.          |   | <i>Resources.</i>                                                  |                |      |    |      |    |
|----------------|---|--------------------------------------------------------------------|----------------|------|----|------|----|
|                |   | * Merchandise,                                                     | Inventory,     | 4000 |    |      |    |
|                |   | * Furniture and Fixtures,                                          | Inventory,     | 150  |    |      |    |
|                |   | * Cash,                                                            | Per Cash-book, | 586  | 94 |      |    |
|                |   | Mrs. James Hamilton, #116 Park Ave.,                               | Dr.            | 123  | 07 |      |    |
|                |   | The Press Club, #4 Printer's Row,                                  | Dr.            | 195  | 61 |      |    |
|                |   | Fredonia Hotel,                                                    | Dr.            | 234  | 83 | 5290 | 45 |
|                |   | <i>Liabilities.</i>                                                |                |      |    |      |    |
|                |   | H. M. Grayson & Co.,                                               | Cr.            | 475  |    |      |    |
|                |   | S. S. Martin & Co., Liberty St.,                                   | Cr.            | 143  | 50 |      |    |
|                |   | M. Grace & Co., New York,                                          | Cr.            | 271  | 35 | 889  | 85 |
|                |   | Geo. R. Hart, Net Capital,                                         | Cr.            |      |    | 4400 | 60 |
| See 277        | × | (Student),                                                         | Cr.            |      |    | 2200 |    |
|                |   | For Cash invested.                                                 |                |      |    |      |    |
|                |   | Harold Wayne, New York,                                            | Cr.            |      |    | 57   | 60 |
|                |   | Bill of May 30, $\frac{1}{10}$ , $\frac{1}{20}$ , $\frac{1}{40}$ . |                |      |    |      |    |
|                |   | Mrs. Chas. Johnston, #16 Oak St.,                                  | Dr.            |      |    | 9    | 80 |
|                |   | 25# G. Sugar,                                                      | 5¢             | 1    | 25 |      |    |
|                |   | 1 brl. W. P. Flour,                                                |                | 5    | 25 |      |    |
|                |   | 10# Java Coffee,                                                   | 33¢            | 3    | 30 |      |    |
|                |   | Mrs. Jas. Hamilton,                                                | Dr.            |      |    | 5    | 50 |
|                |   | 10# A Sugar,                                                       | 4½¢            |      | 45 |      |    |
|                |   | 2 sacks Flour,                                                     | 1.25           | 2    | 50 |      |    |
|                |   | 5 gals. Oil,                                                       | 9¢             |      | 45 |      |    |
|                |   | 7½# D. Butter,                                                     | 28¢            | 2    | 10 |      |    |
|                |   | The Press Club,                                                    | Dr.            |      |    |      |    |
|                |   | 2 doz. Spring Chickens,                                            | 4.25           |      |    | 8    | 50 |
| Cash item only | × | Mrs. Jas. Hamilton,                                                | Cr.            |      |    | 125  |    |
|                |   | Cash on %,                                                         |                | 25   |    |      |    |
|                |   | Note at 30 days,                                                   |                | 100  |    |      |    |
|                | × | Fredonia Hotel,                                                    | Cr.            |      |    | 234  | 83 |
|                |   | Cash in full.                                                      |                |      |    |      |    |
|                | × | The Press Club,                                                    | Cr.            |      |    | 195  | 61 |
|                |   | Cash in full to June 1.                                            |                |      |    |      |    |
|                | × | H. M. Grayson & Co.,                                               | Dr.            |      |    | 271  | 35 |
|                |   | Cash for Invoice of May 30, less 3%.                               |                |      |    |      |    |

\*NOTE.—As accounts are opened in the Ledger with persons only, the first three items in the opening entry, June 1, are not posted.



## SINGLE ENTRY CASH-BOOK.

## CASH.

| June 1  | L. F. |                      |                               |      |    |      |    |  |  |
|---------|-------|----------------------|-------------------------------|------|----|------|----|--|--|
|         | *     | Balance on hand,     |                               | 586  | 94 |      |    |  |  |
|         | 1     | (Student),           | Investment,                   | 2200 |    |      |    |  |  |
|         | 118   | Mrs. Jas. Hamilton,  | On %,                         | 25   |    |      |    |  |  |
| See 267 | ✓     | Expense,             | One month's rent,             |      |    | 100  |    |  |  |
|         | 119   | Fredonia Hotel,      | In full to date,              | 234  | 83 |      |    |  |  |
|         | ✓     | Mdse.,               | 25# D. Butter, at 22¢,        |      |    | 5    | 50 |  |  |
|         | 120   | The Press Club,      | % to June 1,                  | 195  | 61 |      |    |  |  |
|         | 25    | H. M. Grayson & Co., | Bill May 30, less 3%,         |      |    | 263  | 21 |  |  |
|         | ✓     | Mdse.,               | Cash-sales,                   | 237  | 55 |      |    |  |  |
|         | ✓     | Horses and Wagon,    | Paid in cash,                 |      |    | 460  |    |  |  |
| 2       | 26    | S. S. Martin & Co.,  | In full of %,                 |      |    | 143  | 50 |  |  |
|         | ✓     | Mdse.,               | Cash-sales,                   | 435  | 60 |      |    |  |  |
|         | ✓     | Expense,             | Delivering goods,             |      |    | 7    | 65 |  |  |
| 4       | 27    | Harold Wayne,        | In full bill June 1, less 6%, |      |    | 54   | 14 |  |  |
|         | ✓     | Expense,             | Hay and Feed,                 |      |    | 9    | 50 |  |  |
|         | ✓     | Mdse.,               | Cash-sales,                   | 312  | 33 |      |    |  |  |
|         | ✓     | Expense,             | Freight and Drayage,          |      |    | 13   | 12 |  |  |
| 5       | 121   | Mrs. Chas. Johnston, | In full,                      | 21   | 64 |      |    |  |  |
|         | 119   | Fredonia Hotel,      | " "                           | 107  | 90 |      |    |  |  |
|         | 120   | The Press Club,      | " "                           | 20   | 08 |      |    |  |  |
|         | 118   | Mrs. Jas. Hamilton,  | " "                           | 19   | 55 |      |    |  |  |
|         | 122   | Mrs. Marje Grace,    | " "                           | 2    | 27 |      |    |  |  |
|         | ✓     | Expense,             | Paid Janitor,                 |      |    | 5    |    |  |  |
|         | ✓     | "                    | Stamps,                       |      |    |      |    |  |  |
|         | *     | Balance,             |                               |      |    | 3337 | 18 |  |  |
|         |       |                      |                               | 4399 | 30 | 4399 | 30 |  |  |
|         |       | Balance,             |                               | 3337 | 18 |      |    |  |  |

\*As instructed in 267, the items which have the Ledger pages inserted are those which are posted when the Cash-book is used as a posting-medium. The others do not affect personal accounts and are therefore not posted. When this book is not used as a posting-medium the L. F. column is left vacant or the dates may be inserted.

## ORDER-BOOK.—SINGLE ENTRY.

JUNE 1,

|   |                                      |      |   |    |   |    |  |  |  |
|---|--------------------------------------|------|---|----|---|----|--|--|--|
| ✓ | Mrs. Chas. Johnston,                 |      |   |    |   |    |  |  |  |
|   | 25# G. Sugar,                        | .05  | 1 | 25 |   |    |  |  |  |
|   | 1 brl. Flour,                        |      | 5 | 25 |   |    |  |  |  |
|   | 10 lbs. Java Coffee,                 | .33  | 3 | 30 | 9 | 80 |  |  |  |
| ✓ | Mrs. Jas. Hamilton, #116 Park Ave.,  |      |   |    |   |    |  |  |  |
|   | 10# A. Sugar,                        | .04½ |   | 45 |   |    |  |  |  |
|   | 2 sacks Flour,                       | 1.25 | 2 | 50 |   |    |  |  |  |
|   | 7½# D. Butter,                       | .28  | 2 | 10 |   |    |  |  |  |
|   | 5 gals. C. Oil,                      | .09  |   | 45 | 5 | 50 |  |  |  |
|   | James E. Brady, 38 Wood St.,         |      |   |    |   |    |  |  |  |
|   | 1 brl. Flour,                        |      | 5 | 25 |   |    |  |  |  |
|   | 18# G. Sugar,                        |      | 1 | 00 |   |    |  |  |  |
|   | 2 gals. Molasses,                    | .35  |   | 70 |   |    |  |  |  |
|   | 5# Butter,                           | .30  | 1 | 50 | 8 | 45 |  |  |  |
| ✓ | The Press Club, #4 Printers Row,     |      |   |    |   |    |  |  |  |
|   | 2 doz. Spring Chickens,              | 4.25 |   |    | 8 | 50 |  |  |  |
|   | Mrs. J. A. Dumay, #118 Western Ave., |      |   |    |   |    |  |  |  |
|   | 1 box Raisins,                       |      | 1 | 50 |   |    |  |  |  |
|   | 1 pk. Pears,                         |      |   | 25 |   |    |  |  |  |
|   | 4 Pine Apples,                       | .09  |   | 36 |   |    |  |  |  |
|   | 4 Spring Chickens,                   | .45  | 1 | 80 |   |    |  |  |  |
|   | 3 doz. Oranges,                      | .20  |   | 60 | 4 | 51 |  |  |  |

NOTE.—The check marks in the left-hand column are placed there when the order is charged in the Day-book to show it has been entered. The word "Paid" is written when the cash is received at the time the order is taken, or any time thereafter before the entry has been transferred to the Day-book.

**271.** The same principles of debit and credit apply in Single Entry as in Double Entry, except that only those governing personal accounts and cash are involved. <sup>272</sup>All transactions in which a personal account is to be either debited or credited must be entered in the Day-book, and all those in which cash is received or paid must be entered in the Cash-book. <sup>273</sup>For those who are already familiar with journalizing by Double Entry, in order to determine where and how a transaction should be entered, the best plan is to select the debits and credits by Double Entry mentally. If any personal account is debited or credited, it requires a Day-book entry. If Cash is debited or credited, it requires a Cash-book entry.

All posting in this set is done from the Day-book. Post each day's business separately. Such explanations may be entered in the Ledger accounts as may seem necessary. For instance, in posting Harold Wayne's credit, the terms of the bill may be placed in the explanation-column.

Single Entry bookkeeping is so simple that the instructions and transactions given here are deemed sufficient to give a thorough understanding of the subject.

#### BUSINESS MEMORANDA.

June 1, (Student) invests cash, \$2200. (C. B. & D. B.)

Invoice received :

Harold Wayne, New York, May 30, \$57.60 ;  
terms  $\frac{6}{10}$ ,  $\frac{2}{30}$ ,  $\frac{7}{60}$ . (D. B.)

Sales on  $\frac{1}{2}$  from Order-book :

Mrs. Chas. Johnston, # 16 Oak St.:

25# G. Sugar, @ 5¢ ; 1 brl. W. P. Flour,  
\$5.25 ; 10# Java Coffee, @ 33¢. (D. B.)

Mrs. Jas. Hamilton :

10# A Sugar, @ 4½¢ ; 2 sacks Flour, @  
\$1.25 ; 5 gals. C. Oil, @ 9¢ ; 7½# D. Butter,  
@ 28¢. (D. B.)

The Press Club :

2 doz. Spring Chickens, \$4.25. (D. B.)

Received cash from Mrs. Hamilton on  $\frac{1}{2}$ , \$25.  
(C. B. & D. B.) Note at 30 days, \$100.  
(D. B. only.)

Paid one month's rent in advance, \$100. (C.  
B. only.)

Received from Fredonia Hotel check in full  
of  $\frac{1}{2}$  to date. (C. B. & D. B.)

Paid cash for 25# Dairy Butter, @ 22¢.  
(C. B.)

Received check from Treasurer of The Press  
Club to balance  $\frac{1}{2}$  to June 1, \$195.61. (C.  
B. & D. B.)

\*Sent H. M. Grayson & Co. check for invoice  
of May 30, (\$271.85), less 3% cash discount.  
(C. B. & D. B.)

Cash-sales to-day, \$287.55. (C. B.)

Bought Horses and Wagon, \$460. (C. B.)

June 2, Sales on  $\frac{1}{2}$  from Order-book :

The Press Club :

10# Mixed Tea, @ 65¢ ; 9 cakes of Yeast,  
@ 2¢ ; 1 box of Honey, 20¢ ; 15# Butter,  
@ 22¢ ; 4 lbs. Raisins, @ 10¢ ; 18# G.  
Sugar, \$1.

Mrs. Chas. Johnston :

8# Grapes, @ 10¢ ; 10 gals. Oil, @ 9¢ ; 2  
Lamp Chimneys, @ 12¢ ; 1 case of mixed  
canned Fruits, \$2.15 ; 10# Coffee, @ 25¢ ;  
1 brl. Flour, \$5.25.

Fredonia Hotel :

3 brls. Flour, @ \$5. ; 10 bunches Bananas,  
@ \$1.50 ; 5 boxes Tomatoes, @ \$1.25 ; 200#  
S. C. Hams, @ 12½¢ ; 5 boxes Figs, @ \$1.10 ;  
8 boxes canned Tomatoes, @ \$2.50.

Invoice received :

Produce Commission Co. on  $\frac{1}{2}$  10 d's, \$119.32.

Paid S. S. Martin & Co. in full of  $\frac{1}{2}$ , \$143.50.

Accepted M. Grace & Co.'s draft on us at 60  
days, in full, \$271.85. (D. B.)

Cash-sales today, \$435.60.

Paid for delivering goods to date, \$7.65.

June 4, Sales on  $\frac{1}{2}$  from Order-book :

Mrs. Marje Grace, #816 Newton St. :

1 can Sardines, 12¢ ; 3# Soda Crackers, @  
11¢ ; 2# Starch, @ 6¢ ; 2 sacks of Salt, @ 10¢ ;  
5# Corn Meal, @ 2¢ ; 5# D. Butter, @ 28¢.

Mrs. Jas. Hamilton :

10# Granulated Sugar, @ 5½¢ ; 3 bu. Potatoes,  
@ 50¢ ; 10 loaves of Bread, @ 7¢ ; 6  
doz. Eggs, @ 23¢ ; 10# Coffee, @ 35¢ ; 6  
bunches of Celery, @ 5¢ ; 55# of Ham, @  
18¢ ; 4½ doz. Eggs, @ 20¢.

Remitted check to Harold Wayne in full for  
bill of June 1, less 6%.

Paid for Hay and Feed, \$9.50.

Invoices received :

M. Grace & Co., June 2,  $\frac{5}{10}$ ,  $\frac{2}{30}$ , \$732.50.

H. M. Grayson & Co., June 2,  $\frac{4}{10}$ ,  $\frac{2}{30}$ ,  
\$263.12.

Cash-sales to-day, \$312.83.

Paid Freight and Drayage, \$13.12.

June 5, Sales on  $\frac{1}{2}$  from Order-book :

Fredonia Hotel :

2 cases of Eggs, @ \$9. ; 60# of Lard, @ 11¢ ;  
1 box Ivory Soap, \$4.25 ; 30# of Cod Fish,  
@ 10¢ ; 12 cans Pears, @ 15¢.

Received cash from Mrs. Chas. Johnston in  
full, \$21.64. Fredonia Hotel, \$107.90.

The Press Club, \$20.08. Mrs. Jas. Hamil-  
ton, \$19.55. Mrs. Marje Grace, \$2.27.

Paid Janitor to date, \$5.

Paid for Stamps, 50¢.

\* M. Grayson & Co. is debited for the amount of the Invoice in the D. B. Cash is credited for the amount of the check only, which is the net proceeds of the bill.

INSTRUCTIONS FOR MAKING STATEMENT AND CLOSING THE LEDGER.

**274.** After you have written up and posted the foregoing Memoranda, you are ready to close the Ledger, preparatory to opening the books by Double Entry. In closing Single Entry books, the following steps are taken to prepare a statement of the resources and liabilities, in order to ascertain the net gain or loss resulting from conducting the business :

1. Foot all the accounts in the Ledger and ascertain the total amount of the debit and credit balances. The debit balances are resources ; the credit balances, liabilities.
2. Ascertain the balance of cash on hand from the Cash-book, which is a resource.
3. Find the amount of notes on hand from the Bills Receivable book (if one is kept), or by counting the notes on hand. This is also a resource.
4. In the same manner determine the amount owing on your notes, which is a liability.

NOTE.—As these are the only resources and liabilities of which you have a record on your books, you must proceed to determine the remainder of the resources and liabilities by taking inventories, as in Double Entry.

5. Determine the inventories of Merchandise, Furniture and Fixtures, Horses and Wagon, Interest accrued, etc., in the usual way.

6. Ascertain the amount of any outstanding claims for interest accrued, wages unpaid, etc. (liability inventories), which have not been entered on your books.

**275.** When the above steps have been taken you are ready to make out a statement of the business, by first grouping and finding the total amount of resources, and then grouping and finding the total amount of liabilities. <sup>276</sup>The difference is the Net Capital or Net Insolvency of the business. <sup>277</sup>The difference between the Net Capital or Net Insolvency at the time of the last closing, and the present Net Capital or Net Insolvency represents the Net Gain or Net Loss of the business for the time which has elapsed since the last closing.

**279.** The net loss or net gain is transferred from the statement directly to the debit or credit of the Proprietor's account, writing as an explanation "Net Gain" or "Net Loss," as the case may be. The manner of showing the net gain or loss in a partnership is illustrated in the statement of the foregoing business to June 5, given below, and is carried from the statement directly to the Partner's accounts, as stated above.

See Inventories next page.

SINGLE ENTRY.

STATEMENT, JUNE 5,

GEORGE R. HART & Co.

|   |                                     |                          |      |      |         |
|---|-------------------------------------|--------------------------|------|------|---------|
| ✓ | Cash on hand, per Cash-book,        | 3337                     | 18   |      |         |
|   | Bills Rec.,                         | 100                      |      |      |         |
|   | Furniture and Fixtures,             | 140                      | 00   |      |         |
|   | Merchandise,                        | 4531                     | 80   |      |         |
|   | Horses and Wagon,                   | 450                      |      |      |         |
|   | Expense,                            | 66                       | 67   | 8625 | 65      |
|   |                                     |                          |      |      |         |
|   | <i>Liabilities.</i>                 |                          |      |      |         |
|   | Personal accounts payable :—        |                          |      |      |         |
| ✓ | H. M. Grayson & Co.,                | \$466.77.                |      |      |         |
| ✓ | M. Grace & Co.,                     | 732.50.                  |      |      |         |
| ✓ | Produce Com. Co.,                   | 119.32.                  | 1318 | 59   |         |
|   | Bills Payable,                      | Acceptance favor         |      |      |         |
|   | Expense,                            | M. Grace & Co.,          | 271  | 35   |         |
|   |                                     | Salaries owed to clerks, | 40   |      | 1629 94 |
|   | Present Net Capital,                |                          |      | 6995 | 71      |
| ✓ | Geo. R. Hart's Investment,          | 4400                     | 60   |      |         |
| ✓ | Student's                           | 2200                     |      | 6600 | 60      |
|   | Total Net Gain,                     |                          |      | 395  | 11      |
|   | Geo. R. Hart's                      | $\frac{2}{3}$ Net Gain,  | 263  | 41   |         |
|   | Student's                           | $\frac{1}{3}$ "          | 131  | 70   |         |
|   | Geo. R. Hart's present Net Capital, |                          |      | 4664 | 01      |
|   | Student's                           | " "                      |      | 2331 | 70      |

NOTE.—The items checked (✓) are not to be posted in the Journal Entry, unless a new Ledger is opened. The balance of Cash is entered in the Cash-book.

INVENTORIES, JUNE 5.

Resource Inventories.

|                                                        |         |
|--------------------------------------------------------|---------|
| Bills Receivable, Mrs. Jas. Hamilton's note, . . . . . | \$100.  |
| Furniture and Fixtures, . . . . .                      | 140.    |
| Merchandise, . . . . .                                 | 4531.80 |
| Horses and Wagon, . . . . .                            | 450.    |
| Expenses, rent paid in advance, . . . . .              | 66.67   |

Liability Inventories.

|                                                           |          |
|-----------------------------------------------------------|----------|
| Bills Payable, acceptance favor M. Grace & Co., . . . . . | \$271.85 |
| Expense, salaries owed to clerks to date, . . . . .       | 40.      |

CHANGING FROM SINGLE TO DOUBLE ENTRY.

280. The process of changing a set of books from Single to Double Entry is very simple after the statement has been prepared and the net gain or loss transferred to the proprietor's account. <sup>281</sup> All that is necessary is to open accounts in the Ledger for those resources and liabilities that are not already shown in the Ledger.

282. The best plan is to make a Journal entry including all the resources and liabilities taken from the statement prepared from the Single Entry set. When this is completed, if correct, the debits and credits will be found to be equal. <sup>283</sup> Post to the Ledger all items that do not already have accounts in the Ledger, which is ordinarily all the accounts that appear on your statement except the personal accounts and Cash account. Transfer the balance of cash to a new page in the Cash-book as kept by Double Entry.

<sup>283a.</sup> You must be careful not to open new accounts for the personal debits and credits, as shown by your statement, as they are already in the Ledger. In the opening of a new Ledger, all the debits and credits are to be posted. When you have completed this work, your books should be in balance. Take a trial balance, and if found correct, you are then ready to proceed in keeping the books by Double Entry.

<sup>283b.</sup> You may now introduce any additional books that may be needed, or dispense with any of those that are unnecessary. The same Journal and Cash-book can be used, but in the Double Entry form.

<sup>283c.</sup> The following is the form of a Journal-entry to change the books to Double Entry, taken from the statement made by George R. Hart, May 31. (See page 113.) Prepare a Journal-entry taken from your own statement of June 5, and submit to your teacher.

After it has been approved, enter it on the first vacant page in your Journal. Post the items other than the personal accounts and Cash account to the Ledger, as you have been instructed, and take a trial balance from the Ledger as it then stands, including the balance of cash taken from the Cash-book, to see that the debits and credits are equal. You are then ready to continue the business.

JOURNAL ENTRY.

JUNE 1,

|   |                         |                |      |    |      |    |
|---|-------------------------|----------------|------|----|------|----|
|   | Mdse.,                  | Per Inventory, | 4000 |    |      |    |
|   | Furniture and Fixtures, | " "            | 150  |    |      |    |
|   | *Cash,                  | Per Cash-book, | 586  | 94 |      |    |
| ✓ | Mrs. Jas. Hamilton,     | Per Ledger %.  | 123  | 07 |      |    |
| ✓ | The Press Club,         | " " "          | 195  | 61 |      |    |
| ✓ | Fredonia Hotel,         | " " "          | 234  | 83 |      |    |
| ✓ | To H. M. Grayson & Co., | " " "          |      |    | 475  |    |
| ✓ | " S. S. Martin & Co.,   | " " "          |      |    | 143  | 50 |
| ✓ | " M. Grace & Co.,       | " " "          |      |    | 271  | 25 |
| ✓ | " Geo. R. Hart,         | Net Capital,   |      |    | 4400 | 60 |

NOTE.—The items having a check (✓) mark in the Ledger page column should not be posted, as the accounts are already opened. In opening a new Ledger they would be posted.

\* Omitted in the Journal Entry when the Cash-book is used.

## CONTINUATION, SET 4.—DOUBLE ENTRY.

**Special Features.**—Introduction and use of Customers' Ledger. Explanation and use of Order and Sales-slips. Debiting and crediting Merchandise account for all discounts on bills, and also for Freight bills.

1. You will continue the business of George R. Hart & Co. for a limited time, keeping the books by Double Entry, using the Cash-book, Journal, and Ledger as principal books, and Bill-books and Customers' (Petty) Ledger as auxiliary books.

2. Order-slips will be used instead of the Order-book, simple forms of which are shown on page 120. These are also known as Sales-slips. All orders, whether for cash or on account, are entered on these slips, when the order is received, and is made out by the salesman.

3. In many large retail stores, the different salesmen use Order-blanks and Sales-tickets similar to those shown, carbon duplicates being sent with the goods to the customer. The original is sent to the cashier or bookkeeper, who places it on a file and the money in the cash-drawer or register. When cash does not accompany the order, the word "Charge" may be written across the face of the Order-blank, and it is then passed directly to the bookkeeper who makes the charge from it in the customer's account. It is generally the custom for the cashier to place the cash received in a separate drawer, and when counted in the evening, it should equal the total amount shown by the Cash-slips received during the day.

4. When cash is received in payment of an account for goods previously purchased by the customer, it is generally paid at the cashier's or bookkeeper's desk, who makes out an ordinary Sales-slip, noting the amount of cash received and writing the word "Credit" underneath in the space usually occupied by the different items of merchandise. When the cash is paid to the salesman the slip is made out in the same manner and sent to the cashier's or bookkeeper's desk. The cash is placed in the cash-drawer or Register and counted in with the day's sales, and the customer receives the proper credit in his account in the Customers' Ledger.

In small establishments where only a few clerks are employed, the Customers' Ledger is frequently kept on a desk convenient to the salesmen, who enter all the charges directly into it as the sales are made. In this case no report is made to the general bookkeeper at all. When cash is received in payment, the account is credited and the cash turned in as cash sales for the day. This, however, is not practicable in large establishments where a number of clerks are employed.

## CUSTOMERS' LEDGER.

**284.** This is also sometimes known as the Petty Ledger, and is used extensively in retail businesses. Its use serves two purposes. (1) It avoids the opening of a great many small accounts in the general Ledger and groups the same class of accounts in one book. (2) When used in the manner indicated in this set, it very much reduces the work of the bookkeeper and simplifies the keeping of the accounts, as there is no posting required and all items are specified in the entry, which greatly facilitates the rendering of weekly or monthly statements.

It is used as an auxiliary book, and is ruled like an ordinary Journal or Blotter. (See form p. 103.) It should be indexed the same as a Ledger, so as to find the different accounts readily. Accounts are opened with all customers who buy on account, and they are charged with their purchases directly in this book or from the Sales-slip or Order-book, all items being entered, as shown in the illustration. No entry of any kind is made in the general books until the cash is received in payment of the account, at which time the party paying the money is credited directly in his account in this Ledger from the Credit-slip, by the bookkeeper or salesman, and Cash is debited "To Merchandise" in the Cash-book.

**285.** It is the custom in some stores to keep the cash received in payment of accounts in the Customers' Ledger, in a separate drawer, in which case the Credit-slips are placed on a separate file. In the evening, the amount received "on account" and the amount received for "cash sales" of that day are indicated separately in the Cash-book entry. Merchandise account, however, is credited for the total amount.

**286.** When the books are closed, the sum of the debit balances in the Customers' Ledger must be added to the merchandise inventory, or the amount may be entered as a separate inventory in addition to the regular inventory in the Merchandise account.

**The Centre Column Ledger.**—The form of the Ledger shown below has the money columns ruled adjoining each other. The advantages claimed are: (1) The difference between the footings is more readily found than when they are farther apart, and (2) when the account is balanced it is necessary to rule only a single line across the money columns, which is a saving of time

H. M. GRAYSON & Co.

|      |    |  |   |    |      |    |     |    |      |    |    |                      |
|------|----|--|---|----|------|----|-----|----|------|----|----|----------------------|
| June | 1  |  | J | 13 | 271  | 35 | 475 |    | June | 1  | 13 | J                    |
|      | 6  |  | C | 41 | 203  | 65 | 263 | 12 |      | 4  | 16 | J—June 2, 4/10, n/m. |
|      | 11 |  | C | 42 | 263  | 12 | 222 | 50 |      | 7  | 18 | J                    |
|      | 14 |  | C | 46 | 222  | 50 | 114 |    |      | 12 | 19 | J—June 9, 4/10, n/m. |
|      | 16 |  | C | 47 | 114  |    |     |    |      |    |    |                      |
|      | 19 |  | S | 21 | 1237 | 75 | 240 | 74 |      | 18 | 21 | J—n/p Consgt. No. 4. |
|      |    |  |   |    |      |    | 997 | 01 |      | 23 | 49 | C                    |
|      | 30 |  | C | 10 | 937  | 31 | 937 | 31 |      | 27 | 24 | J                    |

CASH SLIP.

IN CASE OF ERROR OR RETURN OF GOODS, PRESENT THIS SLIP.

GEO. R. HART & CO.

BALTIMORE, MD.

Sold by R Ex'd by Ab Cash \$5 00

|                  |      |
|------------------|------|
| 3 cans Peaches   | 48   |
| 14 lbs S. C. Ham | 1 68 |
| 10 lbs. Prunes   | 60   |
|                  | 2 76 |
| 24               |      |

24 CASHIER'S VOUCHER.

Sold by R Am't of Sale, \$ 2.76

(CARBON DUPLICATE.)

CHARGE SLIP.

Mrs. E. C. Brown,

36 16 Grand Street.

Bought of GEO. R. HART & CO.

June 10. BALTIMORE, MD.

|                   |      |
|-------------------|------|
| 3 lbs. Butter     | 75   |
| 6 doz. Eggs @ 20c | 1 20 |
| 15 lbs. S. Sugar  | 1 00 |
| 1 bal. Flour      | 5 50 |
| 36                | 8 45 |

O. K. G.

(CARBON DUPLICATE.)

In addition to the Cash-slip and Charge-slip, shown above, the Credit-slip, for goods returned or cash paid on %, and the Exchange-slip for goods exchanged, are also used in many establishments. They are similar in form to those shown.

## BUSINESS MEMORANDA.

## June 6, Invoices received:

S. S. Martin & Co., terms  $\frac{1}{10}$ ,  $\frac{n}{30}$ , \$39.50.  
 M. Grace & Co.,  $\frac{1}{10}$ ,  $\frac{n}{30}$ , \$132.90, dated June 5.  
 Harold Wayne,  $\frac{1}{10}$ ,  $\frac{n}{30}$ , \$314.04.  
 Paid Freight and Drayage, \$7.85.  
 Geo. R. Hart withdrew cash, \$60; Student withdrew \$25.  
 Remitted H. M. Grayson & Co. our check in full of % to June 1, \$203.65.  
 Sales on % per Sales-slip:

## Mrs. Marje Grace:

1 sack Flour, \$1.70; 3# Y. H. Tea @ 70¢;  
 1 basket Fancy Fruits, \$1.50; 1 S. C. Ham, 14# @ 12¢; 1 doz. Apollinaris Water, \$1.20; 1 bottle Vanilla Extract, 35¢.

## Fredonia Hotel:

3 brls. Flour @ \$5.10; 20# Butter @ 25¢;  
 1 brl. G. Sugar, \$4.25; 1 brl. Powdered Sugar, \$4.80; 1 doz. qts. Maple Sugar, \$4.20;  $\frac{1}{2}$  chest J. Tea, \$10.50.

## Mrs. Chas. Johnston:

2# Y. H. Tea @ 70¢; 1 bu. Potatoes, 90¢;  
 1 Wash Tub, 85¢.

## Mrs. G. B. Dean, #6 Wilson St.:

5# Valencia Raisins @ 15¢;  $\frac{1}{2}$  bu. Potatoes, 45¢; 4# Cal. Prunes @ 12 $\frac{1}{2}$ ¢; 2 Brooms @ 30¢.

## Wm. E. Brady, #94 Harlem Ave.:

20# G. Sugar @ 5¢; 5# Creamery Butter @ 30¢; 8# C. Sugar @ 6 $\frac{1}{2}$ ¢; 5# D. Peaches @ 14¢.

## Mrs. Arthur Grayden, #142 Clay St.:

1 brl. W. P. Flour, \$4.75; 45# Corn Meal @ 2¢; 6# C. Crackers @ 10¢; 6 doz. Eggs @ 14¢; 2 loaves Bread @ 5c.

Cash-sales to-day, \$131.43.

## 7, Invoices received:

H. M. Grayson & Co., on %, \$222.50.  
 Produce Commission Co., on %, \$56.12.  
 Bought Show-case from Duer Hardware Co. for cash, \$18.  
 Paid cash for repairs on Shelving, \$4.50.  
 Sales on % as per Sales-slips:

## B. G. Duncan, #300 Webster St.:

3 bu. Potatoes @ 45¢; 1 Broom, 35¢; 2# Dried Beef @ 25¢; 5# D. Peaches @ 20¢;  
 5 gals. C. Oil @ 9¢; 2 pairs Spring Chickens @ 80¢.

## Mrs. Marje Grace, #69 Franklin St.

1 $\frac{1}{2}$ # Butter @ 28¢; 5# R. Coffee @ 30¢; 10# C Sugar @ 6 $\frac{1}{2}$ ¢; 3# Mixed Candy @ 30¢;  
 6# Dates @ 8¢; 3# Figs @ 15¢.

## A. J. Wells:

1# J. Coffee, 35¢; 1 $\frac{1}{2}$ # D. Butter @ 25¢;  
 1# Cheese, 24¢; 1 sack Salt, 8¢; 1 brl. Flour, \$5.25.

Cash-sales to-day, \$253.74.

June 8, Accepted draft at 10 days in favor of S. S. Martin & Co. for bill received on the 6th, \$39.50.

Paid cash for a Wheelbarrow, \$3.75; For shoeing horses, \$1.25; For bill of wrapping-paper, \$3.60.

Invoices received:

Produce Commission Co., on %, \$13.60.

Sales on % as per Sales-slips:

## Mrs. Arthur Grayden:

1 brl. W. P. Flour, \$4.75;  $\frac{1}{2}$  bu. new Potatoes, 75¢; 5# G. Sugar @ 5¢; 1# J. Coffee, 35¢;  $\frac{1}{2}$ # Y. H. Tea, 40¢;  $\frac{1}{2}$ # Baking Powder, 15¢.

## Mrs. G. B. Dean:

1# R. Coffee, 30¢; 10# G. Sugar @ 5¢; 5 gals. C. Oil @ 9¢.

## Wm. E. Brady:

5# A Sugar @ 4 $\frac{1}{2}$ ¢; 4# C Sugar @ 6 $\frac{1}{2}$ ¢; 2# Rice @ 9¢; 2 loaves Bread @ 5¢.

## Mrs. J. A. Amsbaugh, #2110 Madison Ave.:

1 sack Flour, \$1.25; 1 gal. C. Oil, 10¢;  
 1 can Salmon, 20¢; 2 Lamp Chimneys @ 8¢; 2# Chipped Beef @ 18¢.

Cash-sales to-day, 169.15.

## 9, Invoices received:

M. Grace & Co.,  $\frac{1}{10}$ ,  $\frac{n}{30}$ , \$216.12.  
 S. S. Martin & Co.,  $\frac{1}{10}$ ,  $\frac{n}{30}$ , \$26.31.  
 Paid cash for country produce, \$11.40.  
 Paid clerks' salaries to date, \$64.50.  
 Paid Gas-bill, \$5.30; Paid for Stamps, etc., 75¢.

Sales on % per Sales-slips:

## Fredonia Hotel:

2 cases Eggs @ \$9; 3 boxes Figs @ \$1.50; 4 brls. Flour @ \$5; 40# D. Butter @ 26¢;  
 1 case Chili Sauce, \$3.30; 1 case Corned Beef, \$2.65; 1 box D. Pears, \$3.40.

## The Press Club:

1 case Salad Oil, \$1.95; 1 case Tomato Catsup, \$4.10; 1 doz. Queen Olives, \$7.30; 1 brl. Flour, \$5.25; 1 box C Crackers, 16# @ 15¢.

## Mrs. Marje Grace:

1 can Lobsters, 25¢; 1 can Sardines, 20¢;  
 1 sack Flour, \$1.70; 3 doz. Eggs @ 18¢;  
 3 heads Lettuce @ 15¢.

Accounts to be credited as per Credit-slips:

Mrs. Marje Grace, \$10.; Mrs. Arthur Grayden, \$5.; A. J. Wells, \$6.30.

NOTE.—No entry is to be made for these credits, except in the customer's personal account, as the cash is included in the Cash-sales for the day.

Cash-sales to-day, \$409.14.

June 11, Received note at 30 days from Fredonia Hotel to apply on %, \$100.  
(Credit Merchandise.) Credit Fredonia Hotel in customer's Ledger.

Remitted Checks as follows:

To H. M. Grayson & Co., bill of June 4, \$263.12, less 4%.

To M. Grace & Co., bill of June 4, \$732.50, less 5%.

To Produce Commission Co., bills of June 3 and 7, \$175.44.

To S. S. Martin & Co., bill of June 9, \$26.31, less 4%. We also deduct 5% of bill of June 6, for which we accepted their draft at 10 days.

(Credit Mdse. with Discount.)

Sales on % per Sales-slips

Mrs. J. A. Amsbaugh:

2 sacks Flour @ \$1.70; 2 cans Clam Chowder @ 18¢; 2 cans Corned Beef @ 20¢; 2# Macaroni @ 14¢; 1 bottle Salad Dressing, 30¢; 3 cans Cherries @ 35¢; 5# mixed Nuts @ 21¢.

Wm. E. Brady:

5# Oat Meal @ 5¢; 4# Mixed Crackers @ 10¢; 1 sack Flour, \$1.70; 6# Strawberry Preserves @ 16¢; 1# ground Pepper, 40¢; 1 bottle Mustard, 20¢.

Mrs. Chas. Johnston:

1 pail of Mackerel, \$1.60; 1 box of Soap, \$4.10; 2# Corn Starch @ 8¢; 1# Borax, 16¢.

Fredonia Hotel:

1 case Mock-Turtle Soup, \$3.60; 1 case Mushrooms, \$27.50; 1 box French Macaroni, \$3.25; 1 doz. Snider's Catsup, \$3.55; 1 brl. Hominy, \$3.90; 1 box Chocolate, \$13.25.

Mrs. Marje Grace returns sack of Flour bought June 9, being unfit for use. We have credited her account.

Cash-sales to-day, \$241.42.

12, Invoices received:

H. M. Grayson & Co., bill of June 9, \$114.,  $\frac{1}{10}$ , n/so.

M. Grace & Co., bill of June 11, \$261.62,  $\frac{1}{10}$ , n/so.

Sales on % per Sales-slips:

Mrs. Marje Grace:

10# Coffee @ 29¢; 5# Rice at 6 $\frac{1}{2}$ ¢; 1 gal. Maple Syrup, \$1.10; 5# Butter @ 26¢, 10# Lard @ 11¢; 10# Mixed Nuts @ 25¢.

A. J. Wells:

3 doz. Eggs @ 18¢; 1 box Soap, \$4.20; 1 can Baking Powder, 15¢; 3 gals. Vinegar @ 60¢; 2# Mixed Nuts at 30¢.

The Press Club:

1 bunch Bananas, \$1.25; 1 box Lemons, \$2.60; 20# Mixed Nuts @ 25¢; 25# Coffee @ 28¢; 10# Mixed Tea @ 75¢.

Accounts to be credited as per Credit-slips:

The Press Club, \$25; Mrs. J. A. Amsbaugh, \$8.91; Mrs. Marje Grace, \$13.58.

Cash-sales to-day, \$196.60.

June 13, Bought for cash load of country produce, \$17.65.

Paid for Hay and Feed, \$7.50.

Paid bill of repairs on Wagon, \$2.50; Paid for Stable Rent for month, \$10; Paid for Hammer and Tacks, 85¢.

Fredonia Hotel presents bill for boarding against Geo. R. Hart, which we place to the credit of their account, \$45. (See first entry, June 11.)

Sales on % per Sales-slips:

Mrs. G. B. Dean:

18# G. Sugar, \$1.; 2# Water Crackers, 22¢; 1 sack Flour, \$1.75; 12# G. Flour @ 15¢; 1 gal. Syrup, 46¢; 3 bu. Potatoes @ 82¢.

Mrs. Arthur Grayden:

2 loaves Bread @ 8¢; 6# D. Butter @ 30¢; 5# Seedless Raisins @ 16¢; 6# G. Sugar @ 5 $\frac{1}{2}$ ¢; 2 cans Peaches @ 27¢; 4 $\frac{1}{2}$ # Cheese @ 22¢; 4 doz. Pickles @ 8¢; 3# Currents @ 13¢.

R. G. Duncan:

1 sack Flour, \$1.75; 15# S. C. Ham @ 12 $\frac{1}{2}$ ¢; 5 doz. Eggs @ 18¢; 1 gal. Apple Butter, 75¢; 5# C. Grapes @ 18¢.

Mrs. Chas. Johnston:

1 box B. Raisins, \$1.35; 5# C. Sugar @ 6 $\frac{1}{2}$ ¢; 3 cans Tomatoes @ 20¢; 10 gals. Oil @ 9¢; 5# Soda Crackers @ 12¢; 1 case Apollinaris Water, \$1.20.

Cash-sales to-day, \$224.93.

14, Invoice received:

Produce Commission Co., on %, \$21.40.

Sales on % per Sales-Slips:

Mrs. Marje Grace:

1 box Figs, \$1.20; 16# S. C. Ham @ 13¢; 1 package Rolled Wheat, 20¢; 1 box Fine Cigars, \$6.50; 1 sack Flour, \$1.75; 3 cans Apricots @ 35¢.

Fredonia Hotel:

10 doz. Eggs @ 23¢; 1 doz. Canned Corn, \$1.75; 40# Spring Chickens @ 18¢.

Cash-sales to-day, \$235.11.

Paid checks as follows:

To Harold Wayne, bill of June 6, \$314.04, less 4%.

To M. Grace & Co., bill of June 6, \$132.90, less 5%.

To H. M. Grayson & Co., bill of June 7, \$222.50.

Accounts to be credited per Credit-slips:

Mrs. Chas. Johnston, \$14.15; Mrs. G. B. Dean, \$11.24.

Paid sundry freight bills to date, \$23.56.



## CHANGE OF BUSINESS.

## SALE OF STOCK AND FIXTURES OF RETAIL GROCERY BUSINESS, THE FIRM ENGAGING IN A GENERAL COMMISSION BUSINESS.

Having received an offer for the stock and fixtures on hand at inventory price, the firm of Geo. R. Hart & Co. has concluded to dispose of its grocery business and engage in a general commission business. Preparatory to doing so, it is necessary to take an inventory of all the goods on hand, which is found to be as follows:

## INVENTORIES, JUNE 14,

|                                           |         |
|-------------------------------------------|---------|
| Furniture and Fixtures, . . . . .         | \$158.  |
| Merchandise, Inventory book, . . . . .    | 4736.44 |
| "    Customers' Ledger, . . . . .         | 100.97  |
| Horses and Wagon, . . . . .               | 450.    |
| Rent paid in advance, . . . . .           | 50.     |
| Salaries due clerks and unpaid, . . . . . | 50.     |

As everything is satisfactory to the purchaser, D. M. Bruce, he pays cash for merchandise, furniture and fixtures on hand, and the rent paid in advance for the remainder of the month. George R. Hart & Co. retain their books, collect all outstanding accounts, and pay all their own debts. They also retain horses and wagon for use in their new business. Make the proper entry in the books for the cash received.

You will now follow the usual routine in which you have been instructed for closing Double Entry books by (1) taking a trial balance, (2) making out a Balance Sheet, and (3) closing the Ledger.

If your work is correct, you should have cash on hand, \$7874.11; total net gain, \$771.78.

The books and other effects are now transferred to #142 South St., where the firm will engage in the commission business with such changes in the books as may be necessary, continuing, however, to use the old Ledger and also the Journal, in which you will make the first entry on the page which shows an extra column for "Mdse. Dr." The Cash-book will be opened with special rulings and several new books will be introduced.

## COMMISSION.

287. Those who receive goods for sale on commission are known as Commission Merchants. The special line of goods handled is sometimes indicated by a prefixed word, as "Produce Commission Merchants," "Provision Commission Merchants," etc. As the keeping of Shipment and Consignment accounts has been fully exemplified in your previous work (see pages 82-84), no further explanation of the principles involved will be given. The manner of keeping these accounts as you have been instructed, however, is too cumbersome and requires too much work on the part of the bookkeeper when the business is largely or entirely composed of receiving and selling goods on commission. (See 242, Note.) It must be remembered that very rarely do commission merchants confine themselves entirely to commission transactions, as they generally purchase and sell merchandise on their own account and risk in addition to that sold on commission.

288. Perhaps in no line of bookkeeping has there been less progress made in abbreviated forms and in shortening the work than in the commission business. The following set with its special rulings and labor-saving forms has been in practical use in a large number of the leading commission houses of the country, and has uniformly been pronounced a great improvement over any other system ever introduced. It is believed to be the most satisfactory arrangement that can be made, fully exhibiting all the details of the commission business in the briefest and most condensed form.

*The books used* are the Cash-book, Petty Cash-book, Sales-book, Account Sales Register, Journal, and Ledger as principal books, and the Commission Sales-book, Receiving-book and Check Register as auxiliary books.

**CASH-BOOK.**

## CASH.

**MDAR. CR.**

[illegible]

**289.** As few notes, acceptances, etc., are ordinarily received or issued in this line of business, the Bills Receivable and Bills Payable books are omitted, although when desired, they may be kept. Enter in the explanation-column of the Bills Receivable and Bills Payable accounts, the time and date of maturity of the different notes, acceptances, etc., received and issued; and in posting the credits to the Bills Receivable, or the debits to the Bills Payable accounts, enter each amount on the line opposite to where it was entered on the other side of the account when the note was received or issued. When the space allotted to an account is filled, do not forward the balance, but continue the account on a new page, noting on each page the other page of the account. When all the items on a page have been cancelled, the account may then be ruled and closed.

**290. Cash-book.**—This book receives the entries for all cash received and paid. It has three special columns,—one on the debit side for “Merchandise Cr.” and two on the credit side for “Charges Dr.” and “Cash Remittances Dr.” The Cash-book is illustrated above.

All sales for cash appear on Cash-sales slips, which are passed to the cashier or bookkeeper with the cash as it is received. These slips are filed, or the amount of each is registered in a Cash Register, Cash being debited for the amount of "Cash-sales for the day" and the amount placed in the special "Merchandise" column.

In the "Charges" column is entered all cash paid for freight, drayage or other charges against consignments received. In the "Cash Remittance" column is entered the amount of each check issued on or in full of the net proceeds of consignments. The total footings of these columns are posted to the proper accounts in the Ledger at the end of the week or month. The purpose is to reduce the amount of posting to these accounts from one entry for each separate item to one entry per week or month. Cash is balanced daily, in pencil, as usual. (Only a part of the C. B. entries are shown.

**291. *Petty Cash-book.***—In this book is entered all *small expense items*, such as postage, telegrams, and other incidental outlays for carrying on the business. The object is to avoid having so many small entries in the Cash-book, as well as to avoid the necessity of posting a number of small amounts. The total taken from this book daily, or weekly, is entered in one item on the credit side of the Cash-book, debiting “Expense, per Petty Cash-book.”

**292. Sales-book.**—This book receives, from the Order-blanks, the entries for all sales of merchandise when sold on account, whether belonging to ourselves or to others. "Cash-sales" are not entered in this book unless it is desired to pass the transaction through the personal account. When a bill of goods sold contains any items of goods belonging to a consignment, the number of that consignment (as explained under instructions for the Receiving-book) is indicated in the left-hand marginal column opposite the proper item, so that the special consignment to which it belongs may receive the proper credit when the consignment-accounts are made up by the bookkeeper.

| CASH. |    |     |                         | CHARGES DR.                    |      | CASH REMITTANCES DR. |     |
|-------|----|-----|-------------------------|--------------------------------|------|----------------------|-----|
| June  | 15 | 34  | Furniture and Fixtures, | 1 pair Scales,                 | 15   |                      |     |
|       |    | 16  | Expense,                | Repairs in office,             | 3    | 60                   |     |
|       |    | ✓   | Charges,                | Fr't & Ex. bills on Cons'g'ts, |      | 27                   | 35  |
|       |    | ✓   | "                       | Chicken feed, Con. #5,         |      | 1                    | 30  |
|       |    | 10  | Mdse.,                  | Fr't bills,                    | 15   | 60                   |     |
|       |    | 19  | Insurance,              | Open policy, Mutual Co.        | 46   | 50                   |     |
|       | 16 | 108 | H. M. Grayson & Co.,    | Bill June 12, less 4%,         | 114  |                      |     |
|       |    | ✓   | Charges,                | Fr't on Cons'g'ts,             |      | 25                   | 22  |
|       |    | ✓   | Cash Remittances,       | N/p #2,                        |      |                      | 123 |
|       |    |     | "                       | 3,                             |      |                      | 77  |
|       |    |     | "                       | 5,                             |      |                      | 429 |
|       | 18 | 10  | Mdse.,                  | 2% on H. W. & Co.'s bill,      | 6    | 16                   |     |
|       | 19 | ✓   | Charges,                | Fr't on Cons'g'ts,             |      | 76                   | 67  |
|       |    |     |                         | Custom House duties #11,       |      | 1181                 | 25  |
|       |    | 10  | Mdse.,                  | 2% on St. C. H. bill,          | 2    | 82                   |     |
|       |    | 15  | Charges,                |                                | 203  | 68                   |     |
|       |    | 14  | Cash Remittances,       |                                | 1311 | 79                   |     |
|       |    |     | Balance,                |                                | 630  | 58                   |     |
|       |    |     | In bank,                | 6843.12                        |      |                      |     |
|       |    |     | " safe,                 | 358.82                         |      |                      |     |
|       |    |     |                         |                                | 7201 | 94                   |     |
|       |    |     |                         |                                | 9347 | 99                   |     |
|       |    |     |                         |                                |      |                      | 630 |
|       |    |     |                         |                                |      |                      | 58  |

This will be explained to you in the use of the Commission Sales-book. The total sales are posted to the credit of merchandise at the end of the week or month and the different items are posted to the Ledger, as usual. The Sales-book is illustrated on page 128.

The Order-blanks when used as posting mediums, as explained in 293, are usually known as Sales-blanks and will be so designated in this work. If Sales-blanks are used in writing up the books instead of Order-blanks, you will remember that the terms are used interchangeably.

**293.** The Sales-book may be dispensed with entirely, by posting to the Ledger from the Order-blanks which are placed upon a file specially prepared to receive them, which holds them in the form of a book. The Order-blanks or Sales-blanks, when used as a posting medium, have two holes punched in the margin. These are numbered consecutively and are put up in pads. As they are used they are placed upon the file until the end of the week or month, when the total sales are found by writing the amount shown on each Sales-blank on a sheet of paper, which is known as the "Abstract Sales Sheet." The total of these amounts is posted to the credit of Merchandise account, and corresponds exactly with the total footing of the ordinary Sales-book. The "Abstract Sheet" is then filed with the Sales-blanks for reference at any future time. It is customary to use three or four files, each holding the Sales-blanks of one month. After they have remained on the file for a sufficient time so that they will not likely be used for reference, they are removed from the file and bound in packages, each month by itself, so that at any time they may be referred to. This method saves the work required in writing up the Sales-book. It is employed in many large wholesaling and jobbing businesses, as well as in the commission business, and is exceedingly popular wherever used. (See form of Sales-blank, page 130; also Abstract Sales-slip, page 133.)

**294. Account Sales Register.**—As is indicated by the name, whenever an Account Sales is rendered, an abstract of it is entered in this book. You will observe (see form, pages 126-7) that it has special columns for the Date, No. of Consignment, Consignor, Total Sales, Charges (paid in cash), Drayage, Storage, Insurance, Commission, Cash Remittances, Packages Returned, Personal Accounts Cr., and Remarks.

<sup>294a.</sup> When the net proceeds is remitted in cash, the amount is entered in the "Cash Remittance" column; but when carried to a personal account in the general Ledger, it is entered in the "Personal Accounts Cr." column.

<sup>294b.</sup> The total of each column is posted to the Ledger at the end of the week or month, either through a journal entry or as shown in the margin. The net proceeds for "Personal Accounts Cr." are posted daily.

<sup>294c.</sup> Merchandise is debited for the "Total Sales" indicated in the first column, which offsets the credit for all merchandise belonging to consignments and posted from the Sales-book.

## ACCOUNT SALES.

| Date. | No. | Consignor.                    | Total Sales<br>(Mdse. Dr.). |    | Charges Cr. |    | Drayage Cr. |    | Storage Cr. |    |
|-------|-----|-------------------------------|-----------------------------|----|-------------|----|-------------|----|-------------|----|
| June  | 16  | 2 B. C. Harvey, . . . . .     | 135                         |    | 3           | 30 | 1           | 00 |             |    |
|       |     | 3 G. D. Maynard, . . . . .    | 88                          | 50 | 4           | 20 | 1           | 80 |             |    |
|       |     | 5 Hudson Bros., . . . . .     | 471                         | 48 | 15          | 05 | 2           | 75 |             |    |
|       | 18  | 4 H. M. Grayson & Co. . . . . | 260                         | 75 |             |    | 3           |    | 2           | 65 |
|       |     | 7 Florida Fruit Co. . . . .   | 289                         | 35 | 15          | 42 | 3           | 60 |             |    |
|       | 10  | Flash & Co., . . . . .        | 2580                        |    | 37          | 50 | 7           | 50 |             |    |
|       |     | 2 B. C. Harvey, . . . . .     | 365                         | 65 | 11          | 20 | 2           | 50 |             |    |
|       | 19  | 1 Nash & Botsford, . . . . .  | 493                         |    | 12          | 20 | 11          | 60 | 4           | 75 |
|       |     | 1 Nash & Botsford, . . . . .  | 179                         | 80 | 6           | 18 | 6           | 20 | 2           | 10 |
|       | 20  | 5 Hudson Bros., . . . . .     | 320                         | 30 | 9           | 45 | 2           | 50 |             |    |
|       |     | 1 Nash & Botsford, . . . . .  | 396                         | 15 | 6           | 15 | 3           | 15 | 1           | 80 |
|       | 21  | 3 G. D. Maynard, . . . . .    | 240                         |    | 6           | 55 | 3           | 60 |             |    |
|       |     | 5 Hudson Bros., . . . . .     | 65                          |    | 1           | 93 |             | 25 |             |    |
|       | 6   | M. Grace & Co., . . . . .     | 2006                        | 50 | 9           | 80 | 8           | 20 | 3           | 65 |
|       |     | 7 Florida Fruit Co. . . . .   | 543                         | 90 | 21          | 12 | 4           | 95 |             |    |
|       | 9   | Rae & Co., . . . . .          | 1227                        | 75 | 34          | 50 | 45          |    | 9           |    |
|       | 10  | Flash & Co., . . . . .        | 1879                        | 20 | 90          | 15 | 5           | 40 |             |    |
|       | 12  | Johnston & Davis, . . . . .   | 624                         | 30 | 11          | 42 | 3           | 50 |             |    |
|       | 13  | R. B. Scott, . . . . .        | 35                          | 20 | 1           | 20 |             | 60 |             |    |
|       | 14  | A. S. Carlin, . . . . .       | 51                          |    | 1           | 85 | 1           | 20 |             |    |
|       | 15  | G. H. Snider, . . . . .       | 83                          | 90 | 2           | 40 | 1           | 05 |             |    |
|       |     |                               | 12336                       | 73 | 301         | 57 | 119         | 35 | 23          | 95 |

<sup>294d.</sup> The total of the "Charges" column should exactly equal the total of the same column in the Cash-book, if Account Sales have been rendered for all consignments received, and only freight and other charges that belong to consignments have been entered in that column in the Cash-book.

<sup>294e.</sup> The footing of the "Cash Remittance" column must exactly equal that of the same column in the Cash-book at any given time, unless "advances" have been made on consignments.

<sup>294f.</sup> The use of this book reduces the posting from one journal-entry for each Account Sales rendered to one entry per week or month for all Account Sales rendered. In other words, where four hundred (400) Account Sales are rendered per month, it saves three hundred and ninety-nine (399) entries in the Journal and the same number of postings to the Ledger for each account, which, in the aggregate for four hundred accounts, is two thousand seven hundred and ninety-three (2793).

It also secures absolute accuracy in rendering Account Sales, because the sum of all the columns to the right of the total sales column must equal the sum of the "total sales" column. This saving of labor in posting, making out trial balance, etc., can be appreciated only by the experienced bookkeeper.

**295. The Journal.**—This book receives all entries that do not properly belong to any other book, and is kept as heretofore, except that a special "Merchandise Dr." column is kept for all purchases of merchandise on our own account. This takes the place of the Invoice-book and makes its use unnecessary. Where cash is paid for bills, do not enter in the Journal, but deduct the cash-discount on the face of the bill, and debit Merchandise from the Cash-book for the amount of the check.

**296. Commissions Sales-book.**—This book is ruled after the manner of the ordinary Journal, except that it has an index which contains the name, address, and page of each consignor.

<sup>296a.</sup> In it is entered a record of each consignment received, with its number and the name and address of the consignor. In it are also entered: (1) all charges paid, such as freight, drayage, etc.; (2) all sales made for account of the consignor; and (3) when Account Sales are rendered, the commission, and all other charges such as insurance, drayage, storage, etc. The difference between the total charges and the total sales is the net proceeds. (See form, page 129.)

It receives the above-mentioned entries from different sources, as follows:

1. The entries for freight paid are made directly from the Bills of Lading or Freight Receipt, or they may be made from the Cash-book or Receiving-book.
2. The sales are entered from the Sales-book, Order-blank, or from the Cash-sales slips, on the margin of which is placed the number of the consignment to which the goods belong.
3. All "advance payments" in cash or acceptances are entered from the Cash-book or Journal.

## REGISTER.

| Insurance Cr. |    | Commission Cr. |    | Packages Returned Cr. |    | Cash Remittance Cr. |    | Personal % Cr. |    | L. F. | Remarks. |
|---------------|----|----------------|----|-----------------------|----|---------------------|----|----------------|----|-------|----------|
|               | 50 | 6              | 75 |                       |    | 123                 | 45 |                |    |       |          |
|               | 25 | 4              | 43 |                       |    | 77                  | 82 |                |    |       |          |
|               | 80 | 23             | 57 |                       |    | 429                 | 31 |                |    |       |          |
| 1             | 32 | 13             | 04 |                       |    |                     |    | 240            | 74 | 36    |          |
| 1             | 45 | 14             | 47 |                       |    | 254                 | 41 |                |    |       |          |
|               |    | 129            |    |                       |    | 2406                |    |                |    |       |          |
| 1             | 25 | 18             | 28 |                       |    | 332                 | 42 |                |    |       |          |
| 2             | 47 | 24             | 65 |                       |    | 437                 | 33 |                |    |       |          |
|               | 85 | 8              | 99 |                       |    | 155                 | 48 |                |    |       |          |
| 1             | 60 | 16             | 02 |                       |    |                     |    | 290            | 73 | 39    |          |
|               |    | 19             | 81 |                       |    | 365                 | 24 |                |    |       |          |
|               | 50 | 12             |    |                       |    | 217                 | 35 |                |    |       |          |
|               |    | 3              | 25 | 2                     | 50 | 57                  | 07 |                |    |       |          |
| 5             | 35 | 100            | 33 |                       |    | 1879                | 17 |                |    |       |          |
|               | 90 | 27             | 20 | 20                    | 55 | 469                 | 18 |                |    |       |          |
| 12            |    | 61             | 39 |                       |    | 1065                | 86 |                |    |       |          |
|               |    | 93             | 96 |                       |    | 1689                | 69 |                |    |       |          |
|               |    | 31             | 22 |                       |    | 578                 | 16 |                |    |       |          |
|               |    | 1              | 76 |                       |    | 31                  | 64 |                |    |       |          |
|               |    | 2              | 55 |                       |    | 45                  | 40 |                |    |       |          |
|               |    | 4              | 20 |                       |    | 76                  | 25 |                |    |       |          |
| 29            | 24 | 616            | 87 | 23                    | 05 | 10691               | 23 | 531            | 47 |       |          |

Prepaid Draft, \$247.27  
Accepted Draft 30 days, \$500.

4. The commission and other charges are calculated on the face of this book, generally in lead pencil at the time the Account Sales are rendered.

The charges may be entered on the left-hand page and the sales on the right-hand page, or they may both be entered on one page, as is shown in the illustration. In many large business houses, this book is made of very ordinary paper, and sometimes the entries are made entirely in lead pencil.

**297. Receiving-book.**—This book is kept by the receiving-clerk, and in it is recorded in memoranda all goods as they are received at the store, with name and address of shipper, number of packages, and package number (if any), weight, etc., and any other information as to condition of goods, etc., which may seem necessary to a complete description. No entry is made for anything but goods received, unless there is some special memoranda for drayage, or other charges.

As each consignment is received, all the packages belonging to that consignment are stenciled with the next number after that of the preceding consignment, and thereafter each article or package belonging to that consignment is identified by the number given it. This number is also entered in the Receiving-book.

In the transactions given, the particulars which would be entered in the Receiving-book are not indicated, as they are not material to the writing up of the set, and are shown in the form of the Receiving-book given on page 131.

**298. Check-Register.**—This book is used to take the place of the stub of the Check-book. In many businesses that issue a large number of checks daily, the amount of work involved in keeping the stub of the Check-book and in forwarding the amounts from stub to stub requires considerable time, and this book has been adopted to take its place. When a check is issued, the date, the amount, number, in whose favor, and for what given, are entered in the special columns set apart, as shown in the form, page 127. A special column is also given for the totals of deposits made, so that the balance in bank can be determined readily and accurately. It will be used in this set.

**299. The Customers' Ledger** may be continued in this business the same as in the last, if so desired or the requirements of the business demand it.

**Commission Sales Ledger** (or Consignment Ledger).—This book is used in many commission houses instead of the Commission Sales-book described above. It is ruled and indexed like an ordinary Ledger. Its use is identical with that of the Commission Sales-book—and the account with each consignment is opened in the same way. On the debit side is entered (1) a description of the goods, (2) the charges when received, when on hand, and when Account Sales are rendered, and the net proceeds. On the credit side is entered the sales. See form, page 132.

## SALES-BOOK.

JUNE 15,

| Consgt. No. | L. F. |                                  |      |     |    |     |    |  |  |
|-------------|-------|----------------------------------|------|-----|----|-----|----|--|--|
|             | 116   | Smith & Richards, #3, 10th St.,  |      |     |    |     |    |  |  |
|             |       | 4 ch. Y. H. Tea, 280#,           | .40  | 112 |    |     |    |  |  |
| 1           |       | 30 bunches Bananas,              | .90  | 27  |    |     |    |  |  |
| 4           |       | 5 brls. Flour,                   | 5.30 | 26  | 50 |     |    |  |  |
| 5           |       | 100# Butter,                     | .25  | 25  |    |     |    |  |  |
|             |       | 7 brls., 1420#, G Sugar,         | .04½ | 63  | 90 | 254 | 40 |  |  |
|             | 132   | Walker, Hill & Co.,              |      |     |    |     |    |  |  |
| 2           |       | 4 crates Strawberries, 240 qts., | 8¢   | 19  | 20 |     |    |  |  |
| 5           |       | 120 doz. Eggs,                   | .21  | 25  | 20 |     |    |  |  |
| 3           |       | 5 brls. Potatoes,                | 3.   | 15  |    |     |    |  |  |
| 2           |       | 28 bu. Peas,                     | .90  | 25  | 20 |     |    |  |  |
|             |       | 2 brls. Pickles,                 | 7.90 | 15  | 80 |     |    |  |  |
|             |       | 1 brl. Vinegar,                  | 15.  | 15  |    | 115 | 40 |  |  |

## ROUTINE OF BUSINESS.

**300.** That you may thoroughly understand the order in which the entries appear in the different books, we will indicate to you the routine which is followed in handling and keeping account of the goods from the time they are received until they are finally disposed of, and Account Sales are rendered. This is more a matter of business practice than bookkeeping, yet it will greatly assist you in working up the set.

**300a.** Usually a letter is received from the consignor stating that the goods have been shipped, and containing a Bill of Lading. This Bill of Lading is a receipt for the goods given the shipper at the Express or Freight Office where the goods are shipped.

**300b.** When the goods have been received, a check is usually written for the freight by the bookkeeper or cashier. When goods are coming in frequently, it has become the custom among railway and other transportation companies to present all bills for a day or a week at one time for payment, when a check may be written for the total amount.

**300c.** When the goods are received, the name and address of the consignor, the number of packages, package marks, and numbers, etc., are entered in the Receiving-book. The packages are then stencilled, as before indicated, and the stencil-number placed in the Receiving-book.

**NOTE.**—Usually in large commission houses, there are two Receiving-books kept, known as the “Odd” and “Even Day” Receiving-books. The bookkeeper writes up the “Odd Day” Receiving-book while the Receiving-clerk is making the entries in the “Even Day” Receiving-book.

**300d.** The goods are now ready for sale. When the sale is made, it is entered on an Order or Sales-blank, which contains the name of the buyer, the terms, and the items; and, on the margin opposite the item is placed the stencilled number of the consignment, or any other marks that are necessary to identify the consignment to which the goods belong.

**300e.** The bill is then made out by the seller or bill-clerk from the Order-blank, which is then passed to the bookkeeper who makes his entries in the Sales-book. If Sales-blanks are used instead of Order-blanks the Sales-book is not kept. (See 293.)

**300f.** It is the practice in some commission houses to also enter in the Sales-book the number of the consignment to which each item belongs. In other commission houses, the entries are made in the Commission Sales-book from the Sales-blanks or Order-slips, and in that case the consignment numbers are omitted in the Sales-book. The latter is preferable.

**300g.** When the sales are made for cash, the Cash-sales-slip is immediately passed to the cashier or bookkeeper with the cash received, who places the slip on file. The different consignments are credited directly from these Cash-slips in the Commission Sales-book. If a Cash-Register is not used, the Cash-sales-slips are totaled in the evening, and the amount of cash received during the day must equal the total of the Cash-sales-slips.

**300h.** When consignors' drafts are presented, they are charged directly in the consignment account in the Commission Sales-book. When a sight draft is paid or a time draft prepaid, the

## COMMISSION SALES-BOOK.

No. 2.

B. C. HENRY CENTREVILLE, MD.

|      |    |                                                                                  |     |   |    |     |    |
|------|----|----------------------------------------------------------------------------------|-----|---|----|-----|----|
| June | 15 | 100 bu. Peas,<br>10 crates, 600 qts. Strawberries,<br>Charges, per freight bill, |     | 3 | 30 |     |    |
|      | 15 | 4 crates, 240 qts. Strawberries,                                                 | .08 |   |    | 19  | 20 |
|      |    | 28 bu. Peas,                                                                     | .90 |   |    | 25  | 20 |
|      |    | 6 crates, 360 qts. Strawberries,                                                 | .08 |   |    | 28  | 80 |
|      | 16 | 60 bu. Pears,                                                                    | .85 |   |    | 51  |    |
|      |    | 12 " "                                                                           | .90 |   |    | 10  | 80 |
|      |    | Drayage,                                                                         |     | 1 | 00 | 135 |    |
|      |    | Insurance,                                                                       |     |   | 50 |     |    |
|      |    | Commission, 5%,                                                                  |     | 6 | 75 | 11  | 55 |
|      |    | Net proceeds, Cash,                                                              |     |   |    | 123 | 45 |

amount is entered in the Cash Remittance column in the Cash-book. When time drafts are accepted, they are charged to the Cash Remittance account, in the Journal. In either case, the consignment must be debited for the amount in the Commission Sales-book. Where it is preferred, all drafts accepted may be charged directly to the personal account of the consignee in the general Ledger. But when this plan is adopted, the net proceeds at the time the Account Sales is rendered must be credited to the consignor's account in the general Ledger. This plan necessitates the opening of accounts with consignors in the general Ledger, and is, therefore, objectionable.

It sometimes occurs that consignors order goods from you on account, to be taken out of the net proceeds of the goods they have consigned to you. In such cases it is necessary to open an account in the general Ledger. If at any time the total sales do not equal the charges, when Account Sales are rendered, as illustrated in consignment No. 7, Florida Fruit Co., June 22, in the following set, they are debited in the general Ledger for the amount of the shortage. The entry is made from the "Remarks" column in the Account Sales Register.

<sup>300</sup>i. When the goods have all been sold, or in the case of a large consignment when an Account Sales is rendered before all goods are sold, the commission, insurance, and other charges are calculated on the Commission Sales-book, the Account Sales is made out, a check is written for the net proceeds, and they are then entered in the Account Sales Register. The amount of the check is entered from the stub into the Cash-book. This closes the transaction.

**Special Features.**—The use of special rulings in the Journal and Cash-book; Introduction of Commission Sales-book (or Consignment Ledger if preferred) and Account Sales Register.

Accounts are kept with "Charges," "Drayage," "Storage," "Insurance," "Cash Remittances," "Interest and Discount," "Expense," and "Packages Returned," in addition to the other accounts. "Charges" account is debited from the Cash-book for all cash paid for freight, drayage, and other incidental expenses on account of consignments. It is credited from the Account Sales Reg. for these charges, deducted when the Account Sales are rendered. "Cash Remittances" account is debited for all cash paid to apply on the net proceeds of sales of consignments received. It is credited from the Account Sales Reg. with all net proceeds of consignments to be paid in cash. The "Charges" account should balance when Account Sales have been rendered for all consignments received. "Cash Remittances" account should balance at any time when cash has been remitted in payment of all Account Sales rendered, the net proceeds of which are to be paid in cash. "Packages Returned" is debited for all packages returned to you by buyers and credited for packages returned by you to shippers.

Debit Merchandise for all freight bills on goods purchased for our own account. Debit and credit Merchandise for all discounts on sales or purchases.

**NOTE.**—In the transactions given for this set, no effort has been made to proportion the amount of expenses with the amount of business transacted, nor are useless repetitions made of expenses and other similar items with which the student is already familiar. The transactions are confined as much as possible to those that are peculiar to this business and which will furnish the necessary drill in keeping the accounts and books used.





## RECEIVING-BOOK.

JUNE 15,

| Consgt.<br>No. |                                                                                                                                         |          |    |    |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------|----|----|
| 1              | Nash & Botsford, 316 Front St., N. Y.,<br>300 bunches Bananas, (3 bunches damaged),<br>Car N. C. R. R. #1037. B. & O. R. R.             | Freight, | 6  | 10 |
| 2              | B. C. Harvey, Centreville, Md.,<br>100 bu. Peas,<br>10 crates, 500 qts., Strawberries,<br>Steamer Neptune,                              | Freight, | 3  | 80 |
| 3              | G. D. Maynard, Lutherville, Md.,<br>30 brls. Potatoes,<br>Car #14131, N. C. R. R.,                                                      | Freight, | 4  | 20 |
|                | Hudson Bros., York, Pa.,<br>280# Butter,<br>300 doz. Eggs,<br>1400# Wool,<br>290# Live Chickens,<br>Car, B. & P. R. R., #7116. P. R. R. | Freight, | 13 | 75 |
|                |                                                                                                                                         |          | 27 | 85 |

JUNE 16.

Invoice received : Fairman, Hays & Co., Chicago, June 12,  $\frac{5}{10}$ ,  $\frac{2}{60}$ , \$642.50.

Consignments received, per Receiving-book : M. Grace & Co, No. 6, 300 boxes Lemons; 20 brls. Pineapples; 3000# Mocha Coffee; - - - Florida Fruit Co., Jacksonville, Fla., No. 7, 120 crates Tomatoes; 15 brls. Potatoes; 15 crates Cucumbers; 9 boxes Oranges.

Cash received : Fredonia Hotel, in full, \$27.60.

Credit Mdse. and close  $\frac{1}{2}$  in Customers' Ledger.

Cash paid, per Check-Register : Produce Commission Co., \$35.; - - - H. M. Grayson & Co., bill of June 12, \$114., less 4%; - - - M. Grace & Co., bill of June 9, \$216.12, less 5%. Freight and Express bills, total \$25.22, as follows : M. Grace & Co.'s Consignment, No. 6, \$9.80; - - - Florida Fruit Co.'s Consignment, No. 7, \$15.42. Freight bill, our  $\frac{1}{2}$ , \$16.45.—Total, \$41.67.

Sales on  $\frac{1}{2}$ , per Order-slips : Marshall & Co., #1020 Walnut St., No. 2, 12 bu. Peas, 90¢; - - - No. 3, 10 brls. New Potatoes, \$3.; - - - No. 5, 180 doz. Eggs, 20¢; - - - 5 chests Mixed Teas, 350#, 45¢; - - - No. 1, 15 bunches Bananas, 95¢.

St Charles Hotel, No. 7, 15 brls. Potatoes, \$3.50; - - - No. 6, 2 brls. Pineapples, \$6.25; - - - No. 1, 5 bunches Bananas, \$1.; - - - No. 5, 40 Live Chickens, 156#, 12¢; - - - No. 4, 10 brls. Flour, \$5.25.

W. T. Harford, #9 15th St., No. 6, 10 boxes Lemons, \$3.50; - - - No. 6, 1000# Mocha Coffee, 27 $\frac{1}{2}$ ¢; - - - No. 7, 5 crates Cucumbers, \$2.25.

East End Grocery, No. 5, 62# Chickens, 12¢; - - - 1 case Mixed Canned Goods, \$13.35; - - - 1 brl. Mackerel, \$23; - - - 60# Cod Fish, 8¢.

Sales for Consignments, per Cash-sales slips: No. 7, 9 boxes Oranges, \$3.90; - - - No. 4, 15 brls. Flour, \$5.25; - - - No. 1, 60 bunches Bananas, 95¢; - - - No. 6, 8 brls. P. Apples, \$6.25; No. 6, 45 boxes Lemons, \$3.50; - - - No. 7, 10 crates Cucumbers, \$2.25.

Cash-sales for the day, \$441.19.

Rendered Account Sales as follows (A. S. R.): No. 2, B. C. Harvey, Centreville, Md., Total Sales, \$135; Charges, \$3.30; Drayage, \$1.00; Insurance, 50¢; Commission, 5%, \$6.75; Net Proceeds in cash, \$123.45; - - - No. 3, G. D. Maynard, Lutherville, Md., Total Sales, \$88.50; Charges, \$4.20; Drayage, \$1.80; Insurance, 25¢; Commission, 5%, \$4.43; Net Proceeds, cash, \$77.82; - - - No. 5, Hudson Bros., York, Pa., Total Sales, \$471.48; Charges, \$15.05; Drayage, \$2.75; Insurance, 80¢; Commission, 5%, \$23.57; Net Proceeds, cash, \$429.31.

Checks, per Check-Register : B. C. Harvey, N. P. Con. 2, ck. No. 227, \$123.45; - - - G. D. Maynard, N. P. Con. 3, ck. No. 228, \$77.82; - - - Hudson Bros., N. P. Con. 5, ck. No. 229, \$429.31. "Cash" for Clerks Salaries to date, \$75.00. Student withdrew \$25; - - - Geo. R. Hart, \$40.00.

## CONSIGNMENT LEDGER.

No. 11.

ARNOLD &amp; CO., HAVANNA, CUBA.

|         |                         |      |    |         |                  |      |      |    |
|---------|-------------------------|------|----|---------|------------------|------|------|----|
| June 19 | 45 Bales Leaf Tobacco,  |      |    | June 19 | 10 brls., 1360#, | 1.35 | 1836 |    |
|         | Charges, per Frt. Bill, | 52   | 60 |         | 2 " 244#,        | 1.10 | 268  | 40 |
|         | " Custom House Duties,  | 1181 | 25 |         | 20 5 " 685#,     | 1.35 | 924  | 75 |
| 21      | Accepted Dft. 30 days,  | 1000 |    | 21      | 10 " 1542#,      | 1.40 | 2258 | 80 |
| 28      | Advertising,            | 41   | 50 | 22      | 13 " 1599#,      | 1.40 | 2138 | 60 |
|         | Drayage,                | 22   | 50 | 23      | 5 " 615#,        | 1.10 | 676  | 50 |
|         | Storage,                | 18   | 65 |         |                  |      |      |    |
|         | Insurance,              | 9    | 42 |         |                  |      |      |    |
|         | Commission, 5%.         | 405  | 15 |         |                  |      |      |    |
|         | Net proceeds cash,      | 5371 | 98 |         |                  |      |      |    |
|         |                         | 8103 | 05 |         |                  |      | 8103 | 05 |

## JUNE 18.

Consignments received, per Receiving-book: R. J. Miller, Gilpen, Md., No. 8, 25 hhds. Md. Tobacco; - - - Rae & Co., Chicago, No. 9, 60 brls. Mess Pork; 30 brls. Mess Beef; - - - Flash & Co., Chicago, No. 10, 3000 bu. Wheat; - - - B. C. Harvey, Centreville, Md., No. 2, 300 bu. Peas; 20 crates Strawberries; - - - Hudson Bros., York, Pa., No. 5, 520# Butter; 900 doz. Eggs.

Cash paid, per Check-Register: Freight on Consignments, \$117.65, as follows: R. J. Miller's Consignment, No. 8, \$25; - - - Rae & Co.'s Consignment, No. 9, \$34.50; - - - Flash & Co.'s Consignment, No. 10, \$37.50; - - - B. C. Harvey's Consignment, No. 2, \$11.20; - - - Hudson Bros' Consignment, No. 5, \$9.45.

Sales on  $\frac{1}{10}$ , per Order-slips: Southern Packing Co., #8 & 8 Wood St., No. 2, 300 bu. Peas, 90c; - - - No. 7, 120 crates Tomatoes, \$1.40.

Walker, Hill & Co., No. 9., 20 brls. Mess Pork, \$13.75; - - - No. 9, 15 brls. Mess Beef, \$13.25; - - - No. 4 20 brls. Flour, \$5.15; - - - No. 1, 80 bunches Bananas, 90¢.

Arthur Grayden & Co., 15 chests Mixed Tea, 1050#, 42¢; 1000 imported Cigars, \$85.; 1500 Perfecto Cigars \$60 M.; 3000 B. B. Cigars, \$35 M.; - - - No. 8, 5 hhds. Md. Tobacco, net, 3375#, 8¢.

Hudson Bros., York, Pa., 5 chests Y. H. Tea, 350#, 35¢; - - - No. 6, 200# Coffee, 28¢.

Foster & Dean, 25 brls. Mess Pork, \$13.75; - - - No. 9, 12 brls. Mess Pork, \$13.75.

Harold Wayne, No. 10, 3000 bu. Wheat, 86¢., Steamer E. P. Roberts, f. o. b.

Sales for Consignments, per Cash-slips: No. 5, 315# Butter, 24¢; - - - No. 2, 13 crates Strawberries, \$4.80.

Cash received: Henry Walton & Co., bill of June 15, less 2%; - - - Marshall & Co., bill of June 16, less discount; - - - East End Grocery, bill of June 16, less discount.

Rendered Account Sales as follows: No. 4, H. M. Grayson & Co., Total Sales, \$260.75; Drayage, 6¢ per brl.; Storage, \$2.65; Insurance, \$1.32; Commission, 5%; Net Proceeds carried to the credit of their  $\frac{1}{10}$ ; - - - No. 7, Florida Fruit Co., Total Sales, \$289.35; Charges, 15.42; Drayage, \$3.60; Insurance, \$1.45; Commission, 5%; Net Proceeds in cash; - - - No. 10, Flash & Co., Chicago, Total Sales, \$2580; Charges, \$37.50; Drayage, \$7.50; Commission, 5%; Net Proceeds cash.

Checks, per Check-Register: Florida Fruit Co., N. P. Con. 7, ck. No. 231, \$254.41; - - - Flash & Co., N. P. Con. 10, ck. No. 232, \$2406.

Cash-sales to-day, \$765.

## JUNE 19.

Invoices received: M. Grace & Co., June 16,  $\frac{3}{10}$ ,  $\frac{1}{10}$ , \$121.50; - - - Harold Wayne, June 17,  $\frac{4}{10}$ ,  $\frac{1}{10}$ , \$3246.84.

Consignments received, per Receiving-book: No. 1, Nash & Botsford, 280 bunches Bananas; - - - No. 3, G. D. Maynard, 80 brls. New Potatoes; - - - No. 11, Arnold & Co., Havana, Cuba, 45 bales Leaf Tobacco; - - - No. 12, Johnston & Davis, New York, 300 pails Lard, 10# each; 2360# Cheese.

Cash paid, per Check-Register: Freight bills on Consignments, \$76.67, as follows: Nash & Botsford, Con. No. 1, \$6.10; - - - G. D. Maynard, Con. No. 3, \$6.55; - - - Arnold & Co., Con. No. 11, \$52.60; - - - Johnston & Davis, Con. No. 12, \$11.42; Paid Custom House Duties, Arnold & Co.'s Con., No. 11, \$1181.25; - - - M. Grace & Co.'s bill of June 12, less discount, \$261.62; - - - Harold Wayne, bill of June 15, less discount.

Sales on  $\frac{1}{10}$ : H. M. Grayson & Co., 1000 Perfecto Cigars, \$60.; 2300 B. B. Cigars, \$35 M.; - - - No. 1, 125 bunches Bananas, 85¢; - - - No. 12, 80 pails Lard, 10# each, 11¢; - - - 30 chests, 2100#, Mixed Tea, 43¢.

National Cigar Store, No. 11, 10 bales Leaf Tobacco, net, 1860#, \$1.35; - - - 8 cases Penn'a Seed Leaf Tobacco, net, 2418#, 40¢; - - - No. 8, 8 hhds. Md. Tobacco, net, 4932#, 9¢.

## ABSTRACT SALES-SHEET.

GEO. R. HART &amp; CO.

SALES OF MERCHANDISE PER SALES-BLANKS FOR MONTH ENDING —

| Folio No. | Date billed. | Ledger Page. | Billed to            | Terms. | Amount. | Total.  |
|-----------|--------------|--------------|----------------------|--------|---------|---------|
| 701       | July 1       | 139          | Marshall & Co.       |        | 334 12  |         |
| 702       | 3            | 147          | Kennedy & Richards,  |        | 1312 92 |         |
| 703       | 4            | 109          | B. R. Chambers,      |        | 922 16  |         |
| 704       |              | 132          | S. E. Gamble,        |        | 36 12   |         |
| 705       | 7            | 116          | Wilson, Bean & Hoyt, |        | 347 93  |         |
|           |              |              | Mdse. %, page 36,    |        |         | 2953 25 |

## JUNE 19, CONTINUED.

Smith & Richards, No. 12, 1360# Cheese, 12½¢; - - - No. 2, 7 crates Strawberries, \$4.75; - - - No. 1, 46 bunches Bananas, 90¢; - - - No. 6, 1200# Coffee, 27½¢; - - - No. 6, 64 boxes Lemons, \$3.50; - - - No. 5, 650 doz. Eggs, 22¢; - - - No. 9, 15 brls. Mess Pork, \$14.

St. Charles Hotel, 10 brls. Mess Beef, \$12.90; - - - 8 chests, 560#, Mixed Teas, 42¢; - - - 3 boxes Ivory Soap, \$4.15; - - - 240# Cheese, 13¢.

Sales for Consignments, per Cash-sales slips: No. 5, 250 doz. Eggs, 21¢; - - - No. 1, 114 bunches Bananas, 90¢; - - - No. 6, 37 boxes Lemons, \$3.50; - - - No. 12, 14 pails Lard, 10# each, 10½¢; - - - No. 11, 2 bales Leaf Tobacco, 244#, \$1.10.

Accepted Rae & Co.'s draft at 30 days' sight, favor themselves, on % of Consignment No. 9, received June 18, \$500.

Enter this acceptance in the Bills Payable book, in Journal, debiting Cash Remittance, and also in their consignment account in the Commission Sales-Book.

Cash received on %: St. Charles Hotel, bill of June 16, less discount; - - - Smith & Richards, bill of June 15, less discount; - - - W. T. Harford, bill of June 16, less discount.

Rendered Account Sales as follows: No. 2, B. C. Harvey, Total Sales, \$365.65; Charges, \$11.20; Drayage, \$2.50; Insurance, \$1.25; Commission, 5%; Net Proceeds remitted in cash; - - - No. 1, Nash & Botsford, Total Sales, \$493; Charges, \$12.20; Drayage, \$11.60; Storage, \$4.75; Insurance, \$2.47; Commission, 5%; Net Proceeds cash; On hand, 30 bunches.

Checks, per Check-Register: B. C. Harvey, N. P. Con. 2, ck. No. 237, \$332.42; - - - Nash & Botsford, N. P. Con. 1, ck. No. 238, \$437.33.

Cash-sales to-day, \$594.41.

## JUNE 20.

Invoice received: Fairman, Hays & Co., June 17, 2/10, 2/30, \$3764.21.

Consignments received, per Receiving-book: No. 1, Nash & Botsford, 315 bunches Bananas; - - - No. 7, Florida Fruit Co., 200 crates Tomatoes; 40 brls. Potatoes; 25 brls. Pineapples; - - - No. 8, R. J. Miller, 10 hhds. Md. Tobacco; - - - No. 10, Flash & Co., 4 car loads, 2160 bu. Wheat; - - - No. 4, H. M. Grayson & Co., 200 brls. Flour.

Checks paid, per Check-Register: Consignment Freight bills, \$60.49, as follows: Nash & Botsford, No. 1, \$6.18; - - - Florida Fruit Co., No. 7, \$21.12; - - - R. J. Miller, No. 8, \$10.; - - - Flash & Co., No. 10, \$23.19. Freight on bill of M. Grace & Co., \$7.62. (Debit Mdse. for the last item, \$7.62).

Sales on %: East End Grocery, No. 7, 10 crates Tomatoes, \$1.50; - - - No. 7, 5 brls. Potatoes, \$3.40; - - - No. 4, 5 brls. Flour, \$5.10; - - - No. 1, 22 bunches Bananas, \$1.; - - - No. 6, 2 brls. Pineapples, \$6.50, - - - No. 6, 55# Coffee, 28¢.

St. Charles Hotel, No. 1, 15 bunches Bananas, \$1.; - - - No. 7, 7 crates Tomatoes, \$1.45; - - - No. 6, 10 boxes Lemons, \$3.50; - - - No. 9, 2 brls. Mess Pork, \$14.

W. T. Harford, No. 4, 10 brls. Flour, \$5.10; - - - 30 bunches Bananas, 95¢; - - - No. 7, 5 brls. Pineapples, \$6.10. Marshall & Co., No. 1, 25 bunches Bananas, \$1.; - - - No. 6, 16 boxes Lemons, \$3.50; - - - No. 7, 10 brls. Potatoes, \$3.40; - - - No. 4, 10 brls. Flour, \$5.10; - - - No. 7, 14 crates Tomatoes, \$1.50.

Sales for consignments, per Cash-sales slips: No. 8, 3 hhds., 1947#, Md. Tobacco, 9¢; - - - No. 9, 9 brls. Mess Pork, \$13.50; - - - No. 11, 5 bales, 685#, Leaf Tobacco, \$1.35; - - - No. 12, 46 pails Lard, 460#, 11¢; - - - No. 7, 47 crates Tomatoes, \$1.25; - - - No. 5, 105# Butter, 24¢; - - - No. 1, 124 bunches Bananas, 95¢; - - - No. 3, 39 brls. New Potatoes, \$3.

Received cash, accounts per Customers' Ledger: The Press Club, \$19.35; - - - Mrs. Arthur Grayden, \$14.17; - - - R. G. Duncan, \$11.43; - - - A. J. Wells, \$7.29; - - - Mrs. Marje Grace, \$12.78; - - - Wm. E. Brady, \$8.35.

## JUNE 20, CONTINUED.

Taken to our  $\frac{1}{2}$ : Con. No. 5, 100# Butter, 24¢; - - - Con. No. 7, 122 crates Tomatoes, \$1.25; - - - Con. No. 7, 20 brls. Pineapples, \$6; - - - Con. No. 7, 25 brls. Potatoes, \$3.40.

No entry is made except in the Commission Sales-book.

Rendered Account Sales as follows: No. 1, Nash & Botsford, Total Sales, \$179.80; Charges, \$6.18; Drayage, \$6.20; Storage, \$2.10; Insurance, 85¢; Commission, 5%; Net Proceeds cash; 6 Bch. spoiled; - - - No. 5, Hudson Bros., Total Sales, \$320.30; Charges, \$9.45; Drayage, \$2.50; Insurance, \$1.60; Commission, 5%; Net proceeds to personal account.

Checks, per Check-Register: Nash & Botsford, N. P. Con. 1, ck. No. 241, \$155.48; - - - Hudson Bros., to balance  $\frac{1}{2}$ , ck. No. 242, \$112.23.

Cash-sales to-day, \$1641.11.

## JUNE 21.

Invoices received: Harold Wayne, June 18,  $\frac{3}{10}$ ,  $\frac{2}{60}$ , \$584.41; M. Grace & Co., June 17,  $\frac{5}{10}$ ,  $\frac{2}{60}$ , \$118.12.

Consignments received, per Receiving-book: R. B. Scott, Shippensburg, Pa., No. 13, 4 brls. Gooseberries; - - - A. S. Carlin, Norfolk, Va., No. 14, 60 bu. Peas; - - - G. H. Snider, Cumberland, Md., No. 15, 250# Butter; 120 doz. Eggs; - - - Hudson Bros., York, Pa., No. 5, 250# Butter; - - - Nash & Botsford, No. 1, 300 bunches Bananas.

Cash paid, per Check-Register, Freights on Consignments \$13.53, as follows: Con. No. 13, \$1.20; - - - Con. No. 14, \$1.85; - - - Con. No. 15, \$2.40; - - - Con. No. 5, \$1.93; - - - Con. No. 1, \$6.15; - - - Paid for bagging Wheat belonging to Con. No. 10, ck. No. 244, \$66.96; (Bags 1080 @ 5¢; Labor 60¢ per 100 bu.); - - - Prepaid R. J. Miller's draft at 30 days' sight on  $\frac{1}{2}$  of Con. No. 8, \$265\*; - - - For packages returned, \$9.60†; - - - Prepaid Florida Fruit Co.'s draft at 3 days' sight,  $\frac{1}{2}$  Con. No. 7, \$247.27\*; - - - Accepted Arnold & Co.'s draft at 30 days,  $\frac{1}{2}$  Con. No. 11, \$1000 (J)\*; - - - Paid M. Grace & Co.'s bill of June 15, less discount; - - - Paid our acceptance due to-day.

Credit for packages returned: Southern Packing Co., 120 crates, 10¢; - - - Smith & Richards, 17 crates, 10¢; - - - St. Charles Hotel, 2 Chicken crates @ \$1.

Sales on  $\frac{1}{2}$ : Henry Walton & Co., No. 11, 10 bales, 1542#, Leaf Tobacco, \$1.40; - - - No. 8, 10 hhds. Md. Tobacco, 6241#, 10¢.

Smith & Richards, No. 9, 15 brls. Mess Beef, \$13.50; - - - No. 6, 100 boxes Lemons, \$3.50; - - - No. 6, 545# Coffee, 28¢; - - - No. 6, 8 brls. Pineapples, \$6.50.

Foster & Dean, No. 12, 1000# Cheese, 12½¢; - - - No. 12, 160 pails Lard, 1600#, 11¢; - - - No. 15, 120 doz. Eggs, 22¢.

Southern Packing Co., No. 14, 60 bu. Peas, 85¢; - - - No. 13, 4 brls. Gooseberries, 880#, 4¢.

Marshall & Co., No. 5, 250# Butter, 26¢; - - - No. 15, 250# Butter, 23¢; - - - No. 1, 75 bunches Bananas, 95¢.

Sales for consignments, per Cash-slips: No. 1, 225 bunches Bananas, 90¢; - - - No. 4, 18 brls. Flour, \$5., - - - No. 1, 153 bunches Bananas, 80¢; - - - No. 3, 41 brls. New Potatoes, \$3.; - - - No. 10, 2160 bu. Wheat, 87¢; - - - No. 6, 18 boxes Lemons, \$3.50.

Taken to our  $\frac{1}{2}$ : Con. No. 9, 2 brls. M. Pork, \$13.50.

Received cash as follows: Southern Packing Co., balance of bill of June 18, less discount; on whole bill .... Arthur Grayden & Co., bill of June 18, less discount.

Returned to Florida Fruit Co., No. 7, 137 crates, 15¢; - - - Hudson Bros., No. 5, 2 Chicken crates, @ \$1.25.

Charge these items in C. S. B. Packages returned will be credited from the A. S. R.

Rendered Account Sales as follows: No. 1, Nash & Botsford, Total Sales, \$396.15; Charges, \$6.15; Drayage, \$3.15; Storage, \$1.80; Commission, 5%; Net Proceeds remitted in cash; - - - No. 3, G. D. Maynard, Total Sales, \$240.; Charges, \$6.55; Drayage, \$3.60; Insurance 50¢; Commission, 5%; Net Proceeds cash; - - - No. 5, Hudson Bros., Total Sales, \$65.; Charges, \$1.93; Drayage, 25¢; Commission, 5%; Returned packages, \$2.50; Net Proceeds cash; - - - No. 6, M. Grace & Co., Total Sales, \$2006.50; Charges, \$9.80; Drayage, \$8.20; Storage, 3.65; Insurance, \$5.35; Commission, 5%; Net Proceeds in cash; - - - No. 7, Florida Fruit Co., Total Sales, \$543.90; Charges, \$21.12; Drayage, \$4.95; Insurance, 90¢; Commission, 5%; Net Proceeds in cash; - - - No. 9, Rae & Co., Total Sales, \$1227.75; Charges, \$34.50; Drayage, \$45; Storage, \$9; Insurance, \$12.; Commission, 5%; Net Proceeds, less acceptance, in cash; - - - No. 10, Flash & Co., Total Sales, \$1879.20; Charges, \$23.19 and \$66.96; Drayage, \$5.40; Commission, 5%; Net Proceeds in cash; - - - No. 12, Johnston & Davis, Total Sales, \$624.30; Charges, \$11.42; Drayage, \$3.50; Commission, 5%; Net Proceeds cash; - - - No. 13, Total Sales, \$35.20; Charges, \$1.20; Drayage, 60¢; Commission, 5%; Net Proceeds in cash; - - - No. 14, A. S. Carlin, Total Sales, \$51.; Charges, \$1.85; Drayage, \$1.20; Commission, 5%; Net Proceeds in cash; - - - No. 15, G. H. Snider, Total Sales, \$83.90; Charges, \$2.40; Drayage, \$1.05; Commission, 5%; Net Proceeds cash.

\* Debit "Cash Remittance" and enter in C. S. B.

† Debit "Packages Returned." (C. B.)

## JUNE 21, CONTINUED.

**Checks, per Check-Register:** Nash & Botsford, N. P. No. 1, \$365.24; - - - G. D. Maynard, N. P. No. 3, \$217.35; - - - Hudson Bros., N. P. No. 5, \$57.07; - - - M. Grace & Co., N. P. No. 6, \$1879.17; - - - Florida Fruit Co., N. P. No. 7, \$221.91; - - - Rae & Co., N. P. No. 9, \$565.86; - - - Flash & Co., N. P. No. 10, \$1689.69; - - - Johnston & Davis, N. P. No. 12, \$578.16; - - - R. B. Scott, N. P. No. 13, \$31.64; - - - A. S. Carlin, N. P. No. 14, \$45.40; - - - G. H. Snyder, N. P. Con. No. 15, \$76.25. - - - Fairman, Hays & Co., bill of June 16, less discount.

**Cash-sales to day, \$2987.92.**

## INSTRUCTIONS FOR CLOSING THE LEDGER, JUNE 21.

After you have entered and posted the foregoing transactions, you will proceed to close the Ledger, as you have been heretofore instructed. (See 1, 2, 3, 4, 5, 6, 7, 8, page 76.) As has been indicated to you under the head of "Special Instructions," page 129, you have on your books several accounts that have not been required in any previous set. Carefully study these accounts, and determine what they represent; whether resources and liabilities, or losses or gains. You can discover this by determining for what they are debited and credited.

As the routine for closing the Ledger has been fully explained to you, it is unnecessary to give you further instructions. You will observe that the credit side of Merchandise is largely in excess of the debit side. This excess is caused by the sales of merchandise belonging to consignments for which no Account Sales have been rendered, and consequently Merchandise has not been debited. In order to have the Mdse. account show correct results, the amount of the total sales in the Commission Sales-book in accounts which are not closed, and for which no Account Sales have been rendered, must be entered on the debit side of Merchandise. This entry is made in the form of an Inventory which is indicated below.

The Inventory is brought down on the credit side of the account, which is directly the opposite of the usual resource inventory on hand.

## INVENTORIES, JUNE 21.

**Resource Inventories:** Furniture and Fixtures, \$20.; - - - Horses and Wagon, \$440.; - - - Insurance, Unexpired policy, \$35.12; - - - Returned packages, \$9.60; - - - Merchandise, \$6465.67; - - - Commission, 5%, on \$6918.66, sales of merchandise effected for which no Account Sales has been rendered, \$345.93.

**Liability Inventories:** Merchandise,—for sales effected per Commission Sales-book for which no Account Sales have been rendered, \$6918.66. (No. 4, \$217.50; No. 8, \$1513.21; No. 11, \$5187.95). Salaries unpaid, \$48.50; - - - Gas bill, \$3.20.

Cash Remittances account shows a debit balance of \$1265., which is the amount of two drafts accepted on account of consignments received, for which Account Sales have not been rendered. When these accounts are closed, and Account Sales are rendered, this account will balance.

Charges account will balance only when Account Sales are rendered for all the consignments received.

When you have prepared your Balance Sheet, submit it to your teacher, and if it is found correct, you will proceed to close the Ledger, after which you will continue the business as heretofore.

## MEMORANDA OF TRANSACTIONS.

## JUNE 22.

**Consignments received, per Receiving-book:** Milfred Ludson, Norfolk, Va., No. 16, 60 crates Tomatoes; - - - J. E. Harrison, Milford, Del., No. 17, 17 baskets Peaches; - - - A. S. Carlin, No. 14, 45 bu. Peas; - - - R. B. Scott, No. 13, 7 brls. Gooseberries; - - - Florida Fruit Co., No. 7, 200 heads Cabbage; - - - M. Grace & Co., No. 6, 30 brls. Pineapples; - - - G. H. Snyder, No. 15, 180# Butter.

**Cash paid, per Check-Register:** Freight on consignments, \$15., as follows: No. 16, \$2.40; - - - No. 17, \$1.02; - - - No. 14, \$1.62; - - - No. 13, \$1.41; - - - No. 7, \$3.65; - - - No. 6, \$3.45; - - - No. 15, \$1.45. Freight bills on merchandise purchased, \$34.24; - - - For Hay and Feed, \$11.45; - - - Geo. R. Hart, \$114.50; - - - M. Grace & Co., bill of June 19, less discount; - - - Harold Wayne, bill of June 19, less discount.

**Received cash as follows:** National Cigar Co., for bill of June 19, less discount.

## JUNE 22, CONTINUED.

Sales on  $\frac{1}{2}\%$ : Produce Commission Co., No. 6, 15 brls. Pineapples, \$6.10.  
 Mrs. Marje Grace, No. 16, 8 crates Tomatoes, \$1.20; - - - No. 15, 25# Butter, 80¢; - - - No. 13, 1 brl. Gooseberries, 225#, 4¢; - - - No. 6, 1 brl. Pineapples, \$6.50; - - - No. 4, 2 brls. Flour, \$5.10 "Net."  
 Walker, Hill & Co., No. 4, 25 brls. Flour, \$5.; - - - No. 7, 100 heads Cabbage, 8¢; - - - No. 15, 155# Butter, 30¢; - - - No. 17, 8 baskets Peaches, \$4.25.  
 Southern Packing Co., No. 7, 100 heads Cabbage, 8¢; - - - No. 13, 6 brls. Gooseberries, 1345#, 4¢; - - - No. 17, 9 baskets Peaches, \$4.25; - - - No. 14, 45 bu. Peas, 80¢; - - - No. 16, 57 crates Tomatoes, \$1.20; - - - No. 6, 10 brls. Pineapples, \$6.50.  
 National Cigar Co., No. 11, 13 bales Leaf Tobacco, 1599#, \$1.40; - - - 14000 B. B. Cigars, \$35.; - - - No. 8, 9 hhds. Md. Tobacco, 5484#, 8¢.  
 Arthur Grayden & Co., 8000 Perfecto Cigars, \$60.; - - - 15000 B. B. Cigars, \$35.  
 Harold Wayne, 200 brls. Mess Pork, \$14.10.  
 Fairman, Hays & Co., 80 chests Mixed Tea, 5600#, 40¢.  
 Sales for consignments, per Cash-slips: No. 6, 4 brls. Pineapples, \$6.50; - - - No. 4, 45 brls. Flour, \$5.  
 Returned Packages: Florida Fruit Co., No. 7, \$14.35.  
 Paid in cash: 5 days' labor, \$1.25; Horse-shoeing, \$3.15; Painting sign, \$5.50.  
 Remitted Account Sales as follows: No. 6, M. Grace & Co., Total Sales, \$189.; Charges, \$3.45; Drayage, \$1.40; Commission, 5%; Net Proceeds in cash; - - - No. 7, Florida Fruit Co., Total Sales, \$16; Charges, \$3.65; Returned packages, \$14.35; Commission, 80¢; Balance due us, \$2.80 (which is brought down as a debit to the next account; debit F. F. Co. in Remarks Col. A. S. R.); - - - No. 8, R. J. Miller, Total Sales, \$1951.93; Charges, \$35; Drayage, \$17.50; Storage, \$3.50; Insurance, \$8.30; Com. 5%; Net Proceeds, less draft, in cash; - - - No. 13, R. B. Scott, Total Sales, \$62.80; Charges, \$1.41; Drayage, \$1.05; Commission, 5%; Net Proceeds cash; - - - No. 14, A. S. Carlin, Total Sales, \$36., Charges, \$1.62; Drayage, \$1.85; Commission, 5%; Net Proceeds in cash; - - - No. 15, G. H. Snider, Total Sales, \$54.; Charges, \$1.45; Drayage, 90¢; Commission, 5%; Net Proceeds cash; - - - No. 16, Milfred Ludson, Total Sales, \$72; Charges, \$2.40; Drayage, \$2.40; Commission, 5%; Net Proceeds in cash; - - - No. 17, J. E. Harrison, Total Sales, \$72.25; Charges, \$1.02; Drayage, 51¢; Commission, 5%; Net Proceeds in cash.  
 Remitted Net Proceeds as follows: M. Grace & Co., Con. 6, \$174.30; - - - R. J. Miller, Con. 8, \$1525.03; - - - R. B. Scott, Con. 13, \$57.20; - - - A. S. Carlin, Con. 14, \$30.73; - - - G. H. Snider, Con. 15, \$48.95; - - - Milfred Ludson, Con. 16, \$63.60; - - - J. E. Harrison, Con. 17, \$67.11.  
 Cash-sales to-day, \$392.45.

## JUNE 23.

Consignments received, per Receiving-book: Florida Fruit Co., No. 7, 1 car, 1060 Watermelons; 40 brls. Cantaloupes; - - - Milfred Ludson, No. 16, 45 bu. Peanuts; 90 crates Tomatoes; - - - Johnston & Davis, No. 12, 450 pails Lard, 10 and 12# each; - - - Hudson Bros., No. 5, 10000# Wool; - - - M. Grace & Co., No. 6, 125 brls. Pineapples.  
 Cash paid per Check-Register: Freight on consignments, \$67.39, as follows: No. 7, \$21.50; - - - No. 16, \$5.40; - - - No. 12, \$18.15; - - - No. 5, \$9.22; - - - No. 6, \$13.12. Advertising Leaf Tobacco, Con. No. 11, \$41.50.  
 Received cash as follows: H. M. Grayson & Co., to balance  $\frac{1}{2}\%$ ;\*- - - Mrs. Marje Grace, \$36.80†; - - - Smith & Richards, to balance  $\frac{1}{2}\%$ , less discount on bills - - - Henry Walton & Co., bill of June 21, less discount.  
 Sales on  $\frac{1}{2}\%$ : M. Grace & Co., 80 brls. Mess Pork, \$13.80; - - - No. 16, 20 bu. Peanuts, \$1.25; - - - No. 5, 8000# Wool, 22¢.  
 Hudson Bros.: 10 chests Mixed Teas, 700#, 40¢.  
 St. Charles Hotel: No. 16, 10 crates Tomatoes, \$1.25; - - - No. 6, 5 brls. Pineapples, \$6.50; - - - No. 7, 25 Watermelons, 18¢; - - - No. 12, 20 pails, 240#, Lard, 11¢; - - - 5 chests Mixed Tea, 350#, 40¢.  
 W. T. Harford: No. 4, 15 brls. Flour, \$5.00; - - - 15 chests Mixed Teas, 1050#, 40¢.  
 Henry Walton & Co.: No. 5, 2000# Wool, 22¢.  
 Arthur Grayden & Co.: No. 11, 5 bales, 615#, Leaf Tobacco, \$1.10.  
 Sales for consignments per Cash-slips: No. 6, 14 brls. Pineapples, \$6.50; - - - No. 12, 17 pails Lard, 170# 11¢; - - - No. 16, 14 bu. Peanuts, \$1.25; - - - No. 7, 2 brls. Cantaloupes, \$5.75.  
 Remitted Account Sales as follows: No. 11, Arnold & Co., Total Sales, \$8103.65; Charges, \$1275.35; Drayage, \$22.50; Storage, \$18.65; Insurance, \$9.42; Commission, 5%; Net Proceeds paid in cash, less acceptance.  
 Remitted Net Proceeds as follows, per Cash-Register: Arnold & Co., Con. 11, \$5371.98.  
 Cash-sales to-day, \$446.97.  
 Paid salaries of clerks, warehousemen, and draymen, \$96.50.  
 \* Less discount on bill of June 19.  
 † This bill was sold "net." No discount allowed.

## JUNE 25.

Invoices received: S. S. Martin & Co., bill of June 23,  $\frac{3}{10}$ ,  $\frac{2}{30}$ , \$109.11; - - - Harold Wayne, bill of June 24,  $\frac{3}{10}$ ,  $\frac{2}{30}$ , \$1616.42.

Consignments received: J. E. Harrison, No. 17, 39 baskets of Peaches; - - - Nash & Botsford, No. 1, 314 bunches Bananas; - - - Charles A. Parker, Harrisburg, Pa., No. 18, 5 brls. Cherries; - - - B. C. Harvey, No. 2, 4 crates Strawberries, 8 crates Raspberries; - - - R. B. Scott, No. 13, 16 brls. Gooseberries; - - - G. D. Maynard, No. 3, 15 brls. New Potatoes; - - - G. H. Snider, No. 15, 214# Butter.

Paid cash per Check-Register: Freight on consignments, \$32.88, as follows: No. 17, \$2.16; - - - No. 18, \$4.45; - - - No. 1, \$6.20; - - - No. 2, \$1.87; - - - No. 13, \$9.75; - - - No. 3, \$6.50; - - - No. 15, \$1.95.

Sales on account: The Press Club, No. 15, 114# Butter, 30¢; - - - No. 16, 4 crates Tomatoes, \$1.25; - - - No. 17, 8 baskets Peaches, \$4.15.

Sales for consignments per Cash-slips: No. 1, 263 bunches Bananas, 80¢; - - - No. 2, 8 crates Raspberries, \$4.95; - - - No. 4, 18 brls. Flour, \$5.00; - - - No. 7, 417 Watermelons, 17¢; - - - No. 12, 41 pails Lard, 440#, 11¢; - - - No. 16, 7 crates Tomatoes, \$1.25; - - - No. 2, 4 crates Strawberries, \$4.35; - - - No. 3, 11 brls. Potatoes, \$2.95; - - - No. 6, 24 brls. Pineapples, \$6.50; - - - No. 7, 13 brls. Cantaloupes, \$5.75; - - - No. 17, 14 baskets Peaches, \$4; - - - No. 13, 12 brls. Gooseberries, 2687#, 4¢; - - - No. 18, 5 brls. Cherries, 1112#, 3¢.

Paid cash for Postal Cards and Printing, \$11.50; - - - Bill for general advertising, \$35.20.

Cash-sales to-day, \$1009.49.

## JUNE 26.

Invoices received: M. Grace & Co., June 23,  $\frac{4}{10}$ ,  $\frac{2}{30}$ , \$220.

Cash paid per Check-Register: Freight on M. Grace & Co.'s bill, \$7.15.

Sales on account: Hudson Bros., 5000 B. B. Cigars, \$35.; 1000 Key West, \$75.

Foster & Dean, No. 15, 100# Butter, 30¢.

Sales for consignments per Cash-slips: No. 1, 46 bunches Bananas, 90¢; - - - No. 3, 4 brls. Potatoes, \$2.90; - - - No. 4, 25 brls. Flour, \$5; - - - No. 6, 19 brls. Pineapples, \$6.50; - - - No. 7, 465 Watermelons, 16¢; - - - No. 7, 16 brls. Cantaloupes, \$5.75; - - - No. 12, 27 pails Lard, 270#, 12¢; - - - No. 13, 4 brls. Gooseberries, 810#, 4 $\frac{1}{2}$ ¢; - - - No. 16, 41 crates Tomatoes, \$1.20; - - - No. 17, 17 baskets Peaches, \$4.10.

Received cash as follows: Walker, Hill & Co., in full of account, less discount on bills of June 18 and 22; - - - St. Charles Hotel, balance of account to June 20, less discount on bills of June 19 and 20; - - - National Cigar Co., bill of June 22, less discount.

Rendered Account Sales as follows: No. 2, B. C. Harvey, Total Sales, \$57; Charges, \$1.87; Commission, 8%; Net Proceeds in cash; - - - No. 3, G. D. Maynard, Total Sales, \$44.05; Charges, \$6.50; Drayage, 90¢; Commission, 5%; Net Proceeds cash; - - - No. 5, Hudson Bros., Total Sales, \$2200; Charges, \$9.22; Drayage, \$3.60; Commission, 5%; Net Proceeds to credit of their account; - - - No. 13, R. B. Scott, Total Sales, \$143.93; Charges, \$9.75; Drayage, 96¢; Commission, 8%; Net Proceeds in cash; - - - No. 15, G. H. Snider, Total Sales, \$64.20; Charges, \$1.95; Drayage, 65¢; Commission, 5%; Net Proceeds in cash; - - - No. 17, J. E. Harrison, Total Sales, \$158.90; Charges, \$2.16; Drayage, \$1.17; Commission, 8%; Net Proceeds cash; - - - No. 18, Chas. A. Parker, Total Sales, \$33.36; Charges, \$4.45; Drayage, 42¢; Commission, 8%; Net Proceeds in cash.

Remitted cash for Net Proceeds as follows: No. 2, \$50.57; - - - No. 3, \$34.45; - - - No. 13, \$121.71; - - - No. 15, \$58.39; - - - No. 17, \$142.86; - - - No. 18, \$25.82.

Accepted Hudson Bros.'s draft at 30 days on account, \$1250. (J.) (Debit Hudson Bros.)

Accepted Johnston & Davis' draft, 10 days on account of consignment No. 12, \$216.10.

Prepaid Florida Fruit Co.'s draft at 60 days on account of consignment No. 7, \$118.50.

Cash-sales to-day, \$714.21.

Paid cash per Check-Register: Fairman, Hays & Co., bill of June 20, less discount.

## JUNE 27.

Consignments received per Receiving-book: R. J. Miller, No. 8, 10 hhds. Md. Tobacco; - - - Rae & Co., Chicago, No. 9, 75 brls. Mess Pork; - - - Flash & Co., No. 10, 1975 bu. Wheat.

Faid Freight on consignments, per Check-Register, \$56.15, as follows: No. 8, \$10; - - - No. 9, \$31.73; - - - No. 10, \$14.42.

Prepaid our acceptance of June 2, less discount to maturity; also our acceptance of June 19, less discount to maturity; - - - Harold Wayne, for bill of June 21, less discount.

Received cash as follows: Produce Com. Co., for bill of June 22, less discount.

Credit for packages returned: Southern Packing Co., 57 crates, 10¢; - - - Returned above packages to Milfred Ludson, Con. No. 16, 15¢ each.

## JUNE 27, CONTINUED.

Sales on  $\frac{1}{2}\%$ : Walker, Hill & Co., No. 12, 46 pails Lard, 484#, 12¢; - - - 8 chests, 560# Mixed Teas, 45¢; - - - No. 16, 28 crates Tomatoes, \$1.20.  
 Smith & Richards: No. 9, 15 brls. Mess Pork, \$12.40; - - - No. 7, 9 brls. Cantaloupes, \$5.60; - - - No. 7, 150 Watermelons, 16¢.  
 Foster & Dean, No. 4, 27 brls. Flour, \$5.  
 Cash-sales: No. 8, 2 hhds. Tobacco, 1304#, 9½¢; - - - No. 9, 8 brls. Mess Pork, \$13.  
 Rendered Account Sales as follows: No. 1, Nash & Botsford, Total sales, \$251.80; Charges, \$6.20; Drayage, 1¢ per bunch; Commission, 5%, Net Proceeds in cash; Report 5 bunches spoiled; No. 4, H. M. Grayson, Total Sales, \$1002.70; Drayage, 6¢ per brl.; Storage, 1¢ per brl.; Insurance, ½%; Commission, 5%; Net Proceeds credited; - - - No. 7, Florida Fruit Co., Total Sales, \$402.44; Charges, \$21.50; Drayage, ½¢ on Melons, 6¢ on brls.; Insurance, ½%; Commission, 8%; Credit to personal account, \$2.50; Net Proceeds, less draf., in cash.  
 Checks, per Check-Register: Nash & Botsford, N. P. No. 1, \$229.87; - - - Florida Fruit Co., N. P. No. 7, \$219.24.  
 Cash-sales to-day, \$526.28.

## JUNE 28.

Consignments received: R. B. Scott, No. 13, 8 brls. Gooseberries; - - - J. E. Harrison, No. 17, 16 baskets Peaches.  
 Paid cash, per Check-Register: Freight on consignments, \$2.07, as follows: No. 13, 98¢; - - - No. 17, \$1.09. Bag hire, Con. No. 10, \$19.74.  
 Sales on  $\frac{1}{2}\%$ : East End Grocery, No. 16, 11 bu. Peanuts, \$1.25 - - - No. 12, 20 Pails, 212# Lard, 12½¢; - - - No. 9, 4 brls. Mess Pork, \$13.12½.  
 Arthur Grayden & Co., No. 10, 955 bu. Wheat, 90¢; - - - No. 8, 3 hhds., 1845#, Tobacco, 9¢.  
 Sales for consignments, per Cash-slips: No. 6, 22 brls. Pineapples, \$6.50; - - - No. 9, 18 brls. Mess Pork, \$13.10; - - - No. 13, 8 brls, 675#, Gooseberries, 4¢; - - - No. 17, 12 baskets Peaches, \$3.90.  
 Received cash as follows: Harold Wayne, bills of June 18 and 22, less discount; - - - Fairman, Hays & Co., bill of June 22, less discount; - - - Marshall & Co., bills of June 20 and 21, less discount; - - - W. T. Harford, bills of June 20 and 23, less discount; - - - Received cash, less discount, for notes received June 1 and 11.  
 Cash-sales to-day, \$531.23.

## JUNE 29.

Sales on  $\frac{1}{2}\%$ : Henry Walton & Co., No. 17, 4 baskets Peaches, \$4; - - - No. 12, 200 pails Lard, 2400#, 12½¢; - - - No. 9, 30 brls. Mess Pork, \$13.  
 Arthur Grayden & Co., No. 8, 5 hhds., 3004#, Leaf Tobacco, 9¢; - - - No. 6, 35 brls. Pineapples, \$6.50.  
 Sales for consignments, per Cash-slips: No. 6, 6 brls. Pineapples, \$6.50; - - - No. 9, 5 brls. Mess Pork, \$13.20; - - - No. 10, 1020 bu. Wheat, 90¢; - - - No. 12, 79 pails, 796#, Lard, 12¢.  
 Rendered Account Sales as follows: No. 6, M. Grace & Co., Total Sales, \$812.50; Charges, \$13.12; Drayage, \$7.50; Storage, \$1.45; Insurance, ½%; Commission, 5%; Net Proceeds remitted in cash; - - - No. 8, R. J. Miller, Total Sales, \$560.29; Charges, \$10.; Drayage, \$5; Storage, 60¢; Insurance, 71¢; Commission 5%; Net Proceeds cash; - - - No. 9, Rae & Co., Total Sales, \$969.30; Charges, \$31.73; Drayage, \$37.50; Storage, \$1.13; Insurance, ½%; Commission, 5%; Net Proceeds cash; - - - No. 10, Total Sales, \$1777.50; Charges, \$34.16; Drayage, \$8.37; Commission, 5%; Net Proceeds in cash; - - - No. 12, Total Sales, \$606; Charges, \$18.15; Drayage, \$4.50; Insurance, ½%; Commission, 5%; Net Proceeds, less acceptance, in cash; - - - No. 13, Total Sales, \$27.; Charges, 98¢; Commission, 5%; Net Proceeds cash; - - - No. 16, Milfred Ludson, Total Sales, \$165.30; Charges, \$5.40; Drayage, \$2.70; Commission 8%; Returned Packages, \$8.55; Net Proceeds remitted in cash; - - - No. 17, J. E. Harrison, Total Sales, \$62.80; Freight, \$1.09; Commission, 8%; Net Proceeds in cash.  
 Remitted checks for Net Proceeds of consignments, per Check-Register: M. Grace & Co., Con. 6, N. P., \$748.78; - - - R. J. Miller, Con. 8, N. P., \$515.97; - - - Rae & Co., Con. 9, N. P., \$849.26; - - - Flash & Co., Con. 10, N. P., \$1646.09; - - - Johnston & Davis, Con. 12, N. P., \$336.19; - - - R. B. Scott, Con. 13, N. P., \$24.67; - - - Milfred Ludson, Con. 16, N. P., \$135.43; - - - J. E. Harrison, Con. 17, N. P., \$56.69.  
 Cash-sales to-day, \$1214.75.

## INVENTORIES, JUNE 30.

Mdse., \$2163.50; - - - Furniture and Fixtures, \$15.; . . . Horses and Wagon, \$450.



When you have posted the foregoing transactions, you may proceed to take a trial balance and make out a Balance Sheet. The Inventories are given on page 138. Do not close the Ledger until you have submitted your Balance Sheet and your books to the teacher.

If you are not sufficiently familiar with your work to understand it thoroughly, you will be instructed to close the Ledger as heretofore, after which you will be furnished with transactions to continue the set until you have mastered it.

If, however, your teacher instructs you to proceed, you may then enter the following receipts and payments of cash, which will close all the accounts in the Ledger except those showing losses and gains. Take a trial balance to see that your Ledger is still in balance, and then close all accounts into Loss and Gain, and when you have closed that account into the partners' accounts, the balance of cash on hand should exactly equal the net capital of the proprietors. Each partner will withdraw his net capital. You will, therefore, credit cash and debit the proprietors' accounts, which will close your books entirely.

JUNE 30.

Received cash as follows: The Press Club, bill of June 25, less discount; - - - Smith & Richards, bill of June 27, less discount; - - - Walker, Hill & Co., bill of June 27, less discount; - - - St. Charles Hotel, bill of June 23, less discount; - - - East End Grocery, bills of June 20 and 28, less discount; - - - Southern Packing Co., balance on  $\frac{1}{2}\%$ , less discount on bills of June 21 and 22; - - - Arthur Grayden & Co., in full for bills of June 22, 23, 28 and 29, less discount; - - - Foster & Dean, in full of  $\frac{1}{2}\%$ , less discount, on bills of June 21, 26, and 27; - - - Henry Walton & Co., in full of  $\frac{1}{2}\%$ , less discount; M. Grace & Co., balance of  $\frac{1}{2}\%$ , less discount, on our bill of June 23. They deduct discount from their bills of June 21 and 26.

Paid checks, per Check-Register: H. M. Grayson & Co., in full of  $\frac{1}{2}\%$ ; - - - S. S. Martin & Co., bill of June 25, less discount; - - - Harold Wayne, in full of June 25, less discount; - - - Prepaid acceptances of the 21 and 26th, less discount to maturity; - - - Hudson Bros., balance on account.

Cancelled policy with Insurance Co., they allowed us cash rebate on policy for unexpired time, \$23.50; - - - Sold Furniture and Fixtures for cash, \$15; Horses and Wagon, \$465; Sold the Mdse. remaining on hand at auction. Cash received after paying Auctioneer's commission, \$1985.

#### CHECK REGISTER.

| CHECKS ISSUED. |    |     |                      |                           |        |    |       |    |                |    | DEPOSITED. |    |         |      |       |         |
|----------------|----|-----|----------------------|---------------------------|--------|----|-------|----|----------------|----|------------|----|---------|------|-------|---------|
| Date.          |    | No. | Favor of             | For                       | Total. |    | Less. |    | Amt. of Check. |    | Balance.   |    | Amount. |      | Date. |         |
| June           | 15 | 1   | Hall & Co.,          | 1 Pair Scales,            |        |    |       |    | 115            |    |            |    |         | 7874 | 11    | June 15 |
|                |    | 2   | P. R. R. Co.,        | Frt. Bills, Charges,      |        |    |       |    | 27             | 35 | 4781       | 76 |         |      |       |         |
|                | 16 | 3   | H. M. Grayson & Co., | Bill of June 12, less 4%, | 114    |    | 4     | 56 | 109            | 44 |            |    |         |      |       |         |
|                |    | 4   | M. Grace & Co.,      | " " " 9, " 5%,            | 216    | 12 | 10    | 81 | 206            | 31 | 4417       | 01 |         |      |       |         |

#### QUESTIONS.

1. Explain the Cash-book and its use. <sup>231</sup>
2. Explain the Sales-book and its use. <sup>232</sup>
3. Explain the Bill-books and their use. <sup>233</sup>
4. How are business papers briefed and filed? <sup>237a.</sup>
5. Explain Shipment and Consignment accounts. <sup>239</sup>
6. Shipment accounts are debited and credited for what? <sup>243-244</sup>
7. Consignment accounts are debited and credited for what? <sup>250-251</sup>
8. For what are private accounts debited and credited? <sup>255</sup>
9. For what are branch store accounts debited and credited? <sup>257-258</sup>
10. How may the explanation-column be used in the Ledger? <sup>266</sup>
11. Explain Single Entry bookkeeping. <sup>261</sup>
12. What books are used? <sup>265</sup>
13. What principles of debit and credit apply in Single Entry? <sup>271</sup>
14. How are statements made from Single Entry books? <sup>274</sup>
15. How are books changed from Single to Double Entry?
16. How are books changed from Double to Single Entry?
17. Explain the Customers' Ledger and its use. <sup>284</sup>
18. What books are generally used in the Commission business? <sup>283</sup>
19. How is the Cash-book ruled? <sup>290</sup>
20. Explain the use of the Petty Cash-book. <sup>291</sup>
21. How may the Sales-book be dispensed with? <sup>293</sup>
22. Explain the Account Sales Register. <sup>294</sup>
23. Explain the Commission Sales-book and Consignment Ledger? <sup>296, 299a.</sup>

## GENERAL INFORMATION

### AND HINTS FOR THE BOOKKEEPER.

The general information contained in the following paragraphs are intended to suggest to the bookkeeper, and especially the beginner, a number of practical points and ideas, which will be found useful from time to time in all lines of accounting. They have been gathered from many sources, but mostly from practical experience and observation in counting rooms and offices. No attempt has been made to give elaborate explanations, and but a few of the many suggestions that might be offered have been given. The practical accountant and bookkeeper can readily elaborate the suggestions offered under the different heads so as to apply them to his particular needs. To the student they should prove of great value. We cannot too strongly impress upon the novice in accounts the importance of being continually on the look-out for new ideas which will tend to make him well informed in all the branches and departments of his chosen profession. The work of the bookkeeper and accountant is at best arduous and burdensome, and he should adopt every opportunity to lessen his work and increase his proficiency.

**Private Accounts.**—As already mentioned (see 255), a private account is usually kept with the proprietor or with each partner of the firm. The failure to keep such an account has, in many cases, led to reckless extravagance that consumed all the profits of the business, and more too, thus causing a financial ruin.

Interest Partnerships are sometimes formed with an agreement that each partner is to receive interest on his net investment of capital, or to be charged with interest on the amount of his withdrawals during the year. Sometimes it is provided in the partnership contract that each partner shall invest a fixed proportion or part of the capital. (See page 103.) In such cases it is usually agreed that each partner shall be allowed interest at a certain rate per cent. on the amount he invests more than his proportion, or charged interest on the amount he invests less than his proportion. All such allowances or charges for interest should be adjusted between the partners as illustrated on page 102.

Salaries may or may not be allowed the partners in addition to the above-mentioned stipulations regarding interest on the capital. These are matters that should be decided upon at the time the partnership is formed and the agreement regarding salaries, as well as other stipulations, should be included in the Articles of Copartnership. (See page 97.)

Sometimes salaries are allowed to certain members of the firm for special duties performed by them, the other partners receiving no salaries but depending on their respective shares of the net profits of the business. All salaries allowed to partners should be credited regularly in their private accounts.

**The Private Ledger.**—Most business men prefer not to have their private affairs, such as their capital, gains and losses, etc., shown in the General Ledger, as it is more or less public. To secure these facts from the public, a Private Ledger may be kept, to which only the confidential clerk or bookkeeper and the proprietors have access. In it are entered the Proprietary, Loss and Gain, and such other accounts as may be desired. Frequently the important property accounts showing losses and gains are also kept in this book.

When such a Private Ledger is kept, the opening entries for the investments of the proprietor or partners, and all subsequent investments and withdrawals of capital are made in a Private Journal

Only the aggregate debit or credit balance of the accounts in the Private Ledger is shown in the trial balance; the words "Private Ledger" being used to show where the balance is from. In other words, when the trial balance is taken, the Private Ledger is treated as though it were a single account in the General Ledger. In this way the trial balance shows nothing concerning the private affairs of the proprietors.

**NOTE.**—In our experience we have known all accounts showing gains and losses to be kept in the Private Ledger. When this is done, the totals from the different accounts are transferred from the General Sales and other Ledgers.

**Arbitrary or Nominal Entries** are sometimes made in the General Ledger to conceal the amount of investments, etc. Even when a Private Ledger is kept, this is often done. For instance, when it is desired to show a larger capital than is invested, some fictitious account, such as "reserve fund" or "securities" is debited for any amount that is decided upon. Such practices, however, are seldom necessary, and can be justified only when used to conceal from bookkeepers, etc., the private affairs of the business. If used to mislead the general public, it must be condemned.

**Doubtful Accounts.**—Every firm doing a credit business will, after running for a time, have on its books a greater or less number of accounts that are of doubtful value, though not considered absolutely worthless. Some of these may in time be paid in full, others partly paid, while still others may become entirely worthless. At all events the persons are "slow pay" and their accounts are inactive. Owing to the doubtful value of such accounts, they cannot be counted as trustworthy resources upon which to base calculations for the future operations of the business.

Many authorities advocate the opening of a special account for this class of accounts under the head of "Doubtful Accounts," "Suspended Accounts," etc., to which all the accounts are transferred; but there are many serious objections to this that are familiar to every bookkeeper.

The best practice is to make out a list of all such accounts on bill cap paper just prior to closing the Ledger. This may be called the "Doubtful Accounts List." The list contains the name, date, and amount of each doubtful account, together with any information at hand that may assist in estimating its value. When completed, the present value of each should be estimated by those best able to do so. The estimated present value should be entered in the second column. The difference between the footings of the two columns is the amount considered lost.

The question is, how shall we dispose of this estimated loss on our books? The best plan is to treat the amount lost as a Liability Inventory in the Loss and Gain account. When L. and G. account is ready to close into the proprietary accounts, debit it for the estimated "Loss per Doubtful Accounts List." After the L. and G. account is closed, the amount is brought down on the credit side of the L. and G. account.

The advantages of this plan are: (1) Each personal account remains undisturbed in the Ledger, and if it is paid subsequently there is nothing to show that it was ever considered doubtful. (2) It requires the least amount of labor and time, and avoids a needless opening of separate accounts.

If the account finally is considered worthless, it is closed directly into Loss and Gain. The "Doubtful Accounts List" should be filed with the balance sheet for future reference. Doubtful or uncollectable notes, acceptances, etc., may be treated in the same way.

**NOTE.**—Some object to the plan of carrying the lost or worthless, or doubtful accounts and notes to Loss and Gain, on the ground that it puts upon an otherwise prosperous business the responsibility for losses resulting from poor management or lack of discretion in giving credit. They would carry such losses directly to the proprietor's account, thus placing the responsibility for mismanagement upon him, and leaving the Loss and Gain account to show what would have been the results of the business under proper management. This matter will, of course, be regarded differently by different persons, and the bookkeeper must conform to the ideas of his employer in regard to it.

**Department Accounts.**—In many large establishments the stock is separated into departments, and thus are known as "department stores." A special merchandise account is kept for each department, instead of one account for all departments. Each account is debited for all merchandise purchased for that department and credited for all merchandise sold from it. In a Dry Goods house, for instance, these accounts are designated as "Fancy Goods," "Trimmings," "Silks," "Dress Goods," "Hosiery," "Cloak," and "Ribbons" accounts, and as many others as may be required.

In addition to the invoice price, special merchandise or department accounts should be debited for all direct outlays for their share of general expenses, such as freight and drayage, storage, boxing, insurance, salaries, etc., so far as these expenses can be definitely assigned.

At the time of closing, each account is credited for the inventory of goods on hand in that department, and then closed into a general merchandise account for the net gain or loss, or it may be closed directly into the Loss and Gain account. In the latter case no general merchandise account need be kept, unless there are goods kept in stock which do not come under the head of any special account.

When department accounts are kept, the work of the bookkeeper can be greatly shortened and simplified by the use of special columns for each department in the different posting books; for instance, the Invoice-book, Sales-book, Cash-book, and Journal may contain special columns for each department. These will be explained under the head of "Special Columns, Rulings," etc., later in this work.

**General Ledger Accounts Representing Subordinate Ledgers.**—In large retail, wholesale, banking, and manufacturing establishments, the volume of business usually makes it necessary to divide the bookkeeping work among different bookkeepers. To accomplish this division of labor, two or more Ledgers are kept, each being in charge of a bookkeeper who may or may not write the corresponding books of original entry.

The head bookkeeper usually writes the general books of original entry (the General Journal and Cash-book) and does the posting to the principal Ledger, known as the General Ledger, from which he makes the financial statements of the business. In order to have the General Ledger show the volume of business transacted, and be able to make from it complete statements of the business at the end of each month, or as often as desired by the proprietors, the head bookkeeper has in the General Ledger an account representing each of the Subordinate Ledgers.

These Subordinate Ledgers differ in number and name in different houses and in different lines of business. In banks they contain the accounts with individual depositors, hence are known as "Individual" or "Depositors' Ledgers," and the representative account in the General Ledger is headed "Deposits," or "Depositors."

In large retail houses it is sometimes called the "Customer's Ledger" or "Accounts Receivable" book, and the account in the General Ledger is headed "Accounts Receivable." They are also called "Sales Ledgers." Most large wholesale houses have also a Purchase Ledger (sometimes called the "Eastern Ledger"), in which are kept only the accounts with other wholesalers, jobbers, or manufacturers, from whom goods are purchased.

When two or more Subordinate Ledgers are kept, the accounts in them are usually divided alphabetically, the first running from A to K, the second from L to Z. In some houses three Sales Ledgers are used, the first containing the accounts from A to G, the second from H to N, the third from O to Z. The account in the General Ledger is headed "Sales Ledger A to K," "Sales Ledger L to Z," or "A to G Ledger," "H to N Ledger," etc.

Wholesale houses in large cities generally have a "City Ledger" for city customers only, and one or more "Country" Sales Ledgers. When more than one are used the accounts are divided alphabetically, as mentioned above, or by States, or partly by States and partly by letter.

By whatever name the Subordinate Ledger may be known, the title of the account representing it in the General Ledger should be such as to designate the contents of the Ledger.

When the accounts representing Subordinate Ledgers are opened in the General Ledger, each of them is debited or credited for the total debit or credit balance of all the accounts in the Ledger it represents. Subsequently, at stated times (usually at the end of each month), each of these Ledger accounts is debited and credited for total debits and credits to that Ledger as taken from the different posting books, the corresponding credits and debits being made to the proper account in the General Ledger, as Mdse., Cash, Bills Receivable, Bills Payable, Mdse. Disct., etc. For instance, if the total sales for the month charged on the Sales Ledger, as shown by the Sales-book, were \$15000, this entry would be made either from the Sales-book or Journal: "Sales Ledger" Dr. to "Mdse." \$15000.

To facilitate the work of posting to these special Ledger accounts in the General Ledger, special columns may be used in the Cash-book, Journal, or other general posting-book. The items in these columns are footed and forwarded until the end of the month, when the total amounts are posted to their respective accounts.

**Bank Account in the Ledger.**—Most business men do not keep a bank account in the Ledger. They depend upon the Check-book or Bank-book to show their dealings with the bank, making no distinction between cash in the office safe and cash in the bank, but calling both "cash on hand." (See <sup>m.c.</sup>)

When a bank account is kept in the Ledger (and some few insist upon keeping such), it should be treated the same as any personal account (see 109, 110), being debited for all the bank receives from us, and credited for all drafts (checks) we draw upon it.

**Overdrafts.**—In case of an overdraft, which should never occur except by the consent of the bank, an account should be opened with the bank by giving it credit for the amount of the overdraft (debiting cash), even though no account is regularly kept with the bank except in the Bank-book or Check-book. The reason for this is, that the amount of the overdraft is as truly a liability as any debt we owe. It is the same to us as a loan from an individual. As soon as a sufficient amount is deposited to cover the overdraft, an entry should be made in the Cash-book, or Journal, debiting the bank for the amount of the overdraft, and this, when posted, will balance the bank-account in the Ledger.

Generally, however, and especially when the overdraft is to be for any considerable sum, the bank requires the depositor to give his note for an amount that, when discounted for the time he wishes the bank to "carry" him, will cover the overdraft. In such cases, of course, it is not necessary to open an account with the bank, as described in the last paragraph, as Bills Payable will be credited.

**Interest on Deposits.**—Some banks, in order to secure and hold patronage, offer to pay heavy depositors a certain per cent. on their average deposits above a certain amount. This payment to the depositor for the interest (use) of his money is sometimes spoken of as a "dividend," and is regularly credited to him at the end of each month or at the end of each quarter or half year, being calculated upon the average amount on deposit during that period.

**Branch Store Accounts.**—In each branch store there is kept a "Main Store" account, which represents the main store's interest in the branch. This account is debited and credited according to the principles governing proprietary accounts. (See 207-8) The other accounts in a branch store do not differ from those in the main store. The branch, however, does not have accounts with persons or firms from whom goods are bought and shipped direct to the branch. After checking the bills for such goods, to see that they are O. K. (all correct), the branch store turns the bills over to the main store, first debiting "Merchandise" and crediting "Main Store."

Branch stores are required to make regular statements (weekly or monthly) of the progress of their business, their purchases, sales, expenses, etc., and at the end of the year, or oftener if required, each branch makes a complete statement of its resources and liabilities, from which the final entries are made in the "branch store" account in the main Ledger. (See 256.)

**Sundry Debtors.**—This is a consolidated account of irregular customers or transient buyers. It is similar to the Petty Ledger account, but differs from it in this: The Petty Ledger account shows from time to time the total sales and receipts on transient or petty accounts, while the Sundry Debtors' account takes the place of the Petty Ledger altogether.

When a sale is made to an irregular customer or transient buyer, Sundry Debtors is debited for the amount, the date, and the name of the person, being written on the line with the amount. When anything is received from one of the debtors in this account, it is credited to Sundry Debtors; the date and amount, together with whatever explanation is deemed necessary, being entered on the line opposite to the charge to that person.

Generally a charge to Sundry Debtors will be paid at one time; but in case only a part payment is received, it can be credited in fine writing in the upper part of credit space, leaving the lower part of the space for another credit.

The last few pages of the Ledger may be reserved for this Sundry Debtors account.

**Sundry Creditors.**—This account is handled in the same manner as the Sundry Debtors account, the only difference being that the account is credited first, the line opposite each credit being used for the debit entry when the bill is paid.

**The Petty Ledger** is a special Ledger in which is kept the accounts with transient customers and persons who buy small bills on short time. These petty (small) accounts are debited and credited according to the rules for debiting and crediting other personal accounts. (See form page 103).

In many retail stores, such as grocery, hardware, dry goods, etc., the sales on petty accounts are not credited to Mdse. until the goods are paid for. When this plan is followed, no Petty Ledger account is kept in the General Ledger, the balance due as per Petty Ledger at the end of the year being considered as a part of the Mdse. Inventory.

Instead of keeping a Petty Ledger or opening a Sundry Debtors account (see page 143) the charges to transient customers may be made out on bills bearing their names. These bills should be kept in a clip or other filing device convenient for reference by the cashier. Additional purchases may be charged on the bills until they are paid. When one of these customers pays his bills, it is stamped "Paid" (with the date) and handed to him as a receipt. The amount received on these bills is credited to Mdse. along with the cash-sales for that day. This plan is followed in many large retail establishments.

**Ruling Accounts.**—The plan of ruling personal accounts, Bills Receivable, and Bills Payable, as taught in this book, results in a great saving of time in taking a trial balance, and prevents the possibility of so many errors in adding long columns of figures. (See paragraphs *a* and *b*.)

*a. Single Line Ruling.*—Many practical bookkeepers have, in recent years, adopted the plan of single line ruling altogether, never using double lines in closing accounts showing losses or gains, or in closing other accounts to forward or to transfer to a new Ledger. This style of ruling is illustrated in the Merchandise account on page 53, and in the Single Entry Cash-book, page 115.

*b. Only One Ruling to Close.*—A still greater saving of time, to close an account, as well as a great saving of space in the Ledger, is accomplished as illustrated in the closing of the Merchandise account, page 53. The use of a second set of lines, either single or double, underneath the debit and credit footings of an account is more a matter of habit or custom than of utility, and progressive bookkeepers are coming to regard it as a waste of time and space.

#### ERRORS IN TRIAL BALANCES.

This subject may be discussed to best advantage under three heads: (1) Preventing Errors; (2) Finding Errors; (3) Correcting Errors.

"An ounce of prevention is worth (more than) a pound of cure." Better to be expert in avoiding errors, than expert in detecting them.

The following are some of the ways in which errors may be prevented or avoided.

*a. Determine at the outstart that you will have no errors, and keep up that determination all through your work.* The bookkeeper who works with the idea or feeling that he will probably have to spend about so much time at the close of the month in hunting for errors in his trial balance, is not likely to be disappointed in his expectations.

*b. Posting Debits, then Credits.*—Some bookkeepers make frequent errors in posting to the wrong side of the accounts. These errors can be prevented by posting, from each book, all the debits first, and afterwards all the credits.

*c. Odd and Even Paging.*—Another plan to guard against errors in posting to the wrong side of account, is to have the debit and credit posting books paged respectively with odd and even numbers. Thus, have the Sales-book paged 1, 3, 5, 7, etc., the Invoice-book or Purchase Journal paged 2, 4, 6, 8, etc. The right side of the Cash-book (containing debits to Ledger accounts) is always paged with odd numbers. A special column Journal with debit columns on the left hand and credit columns on the right hand, should be paged accordingly.

*d. When the posting-books have been paged "odd and even," as suggested, a rapid trip through the Ledger will enable you to find out whether an error has been made in posting to the wrong side of an account. An even number in the debit page-column, or an odd number in the credit page-column, indicates an error.*

*e. In forwarding footings of special columns in posting-books, be especially careful not to get them in the wrong columns or to get the figures transposed. Exercise the same care in forwarding an amount to a new page in the Ledger, and always look a second time to see whether you have carried the amount to the proper side of the account. Remember that a footing forwarded should always be entered on the same side of the account or in the same column, but that a balance forwarded always goes to the opposite side.*

*f. Never leave a transaction half recorded or half posted, unless compelled to do so. Until the record is completed or the posting finished, allow no ordinary circumstance to draw your attention from your work.*

*g. Ruling personal accounts and Bills Receivable and Bills Payable from time to time when they balance, results not only in a saving of time, but does much to prevent errors that might result from the addition of long columns of figures. (See <sup>112</sup>a, <sup>140</sup>c, <sup>146</sup>b.)*

**Careful Checking.**—Too much importance cannot be attached to a careful checking of each day's postings, as described in paragraph 215, page 57. This plan of checking may be discarded for any of the following systems which may be selected by the bookkeeper. *In any case the checking should be done daily to prevent, or at once discover, errors in posting rather than in finding errors after an unsuccessful attempt has been made to take a trial balance.*

There have been many different systems and schemes introduced for the prevention of errors in trial balances. Many have meritorious features, but require too much time and extra work. Many more are entirely worthless. One of the very best systems of checking that has ever been used is the one explained below.

#### REVERSE CHECKING OR PROOF POSTING.

As each book is posted to the Ledger, slips of paper are inserted at each account in the Ledger to which items are posted, letting the slips stick out at the top of the book. When the posting has been completed (for instance, from the Sales-book), each item is entered on a sheet of paper, ruled in columns, and known as a *Check-sheet*, beginning with the first slip in the Ledger, and continuing until all the items have been transferred to the check-sheet. As each item is transferred it is checked in the Ledger. When all the items have been entered on the check-sheet it is footed, and should show the same footing as the book from which it is posted. For instance, beginning at the first of the month with the Sales-book, as each item is posted to the Ledger a slip is inserted. When the posting has been completed, beginning with the first slip in the Ledger, the items are transferred to the check-sheet, the slips being removed as the items are transferred. The sum of the items on the check-sheet must equal the sum of the sales for the day. The items of each succeeding day on the check-sheet is added to the footings of the previous day, so that at the end of the month the total shown in the Sales-book and on the check-sheet must be the same.

Follow the same plan for the Invoice-book, Cash-book, and Journal. When this system of checking is followed, all the debits from the Cash-book and Journal are posted first, and then the credits. These sheets are preserved, or a book may be used ruled in columns, and a certain number of pages set apart to receive the items from each posting book. Different colored slips may be used for debits and credits. Any omissions in posting are at once discovered by this system, and if ordinary care is exercised accounts posted to the wrong side of the Ledger will also be discovered. Where more than one item is posted to the same account from the same book, enter a separate slip for each item.

**Checking Payments.**—In wholesale jobbing or manufacturing establishments, payments by customers are rarely on account, but are generally "to cover bill of . . .," or a certain number of bills of such and such dates, specified in the letter accompanying the remittance.

When it is desired to show in the Ledger what items are cancelled on the opposite side of the account, the dates of the items cancelled may be entered in the explanation column, or they may be cancelled by placing a small X on the same line with the items cancelled as illustrated in the Bills Receivable account, page 36, and M. Grace & Co.'s account, page 71.

When a payment is not accompanied by a statement as to what bill or bills it is intended to cancel, the payment should be regarded as covering one or more of the oldest uncanceled charges on the account and the items checked accordingly.

**Cash-Discounts.**—As mentioned elsewhere (see Note, page 103), many firms dispose of all time bills on which cash terms are offered by paying them as soon as goods are received. This is done for a twofold purpose: (1) to make a profit by taking advantage of the cash-discount offered; (2) to reduce the volume of bookkeeping. When the latter object is not considered important, the bills may be paid any time within ten days.

As the cash-discount on wholesale bills is generally very greatly in excess of the interest charged by banks for the same length of time, it follows that firms having good financial standing, though not always sufficient ready capital to pay cash on large purchases, can make a handsome profit by discounting their own paper and then paying cash. Some large retail houses make more than fifty per cent of their net profits in this way. It is easy to see that the firm not having sufficient ready capital or credit to be able to save this cash-discount on bills purchased is working at a great disadvantage, compared with its more fortunate competitor.

**Marking Goods.**—In marking goods for sale it is generally desirable to indicate the selling price in plain figures, but the cost price is marked in such a way that only the proprietors or clerks can tell what it is. For this purpose, the first ten or last ten letters of the alphabet may be used to represent the nine digits and naught (0), some other letter or an underscore being used to denote repetitions.

Another more common method is to use some word or phrase containing ten different letters; as "Importance," "Profitable," "Cash Profit," "Now be quick," etc.

A still better method is to take four straight lines, two vertical crossing two horizontal, and then to write the nine digits in the spaces thus formed, as shown in the accompanying diagram. The figures may be written in any order desired, the form in which each figure stands being used to represent that figure in marking. As placed in the diagram shown here, 1 is represented by  $\square$ ; 2, by  $\square$ ; 3, by  $\square$ ; 4, by  $\square$ ; 5, by  $\square$ ; 6, by  $\square$ ; 7, by  $\square$ ; 8, by  $\square$ ; 9, by  $\square$ . Then for the cipher use a triangle,  $\triangle$ ; and for repetitions, some other character or mark if thought necessary.

|   |   |   |
|---|---|---|
| 3 | 2 | 1 |
| 4 | 5 | 6 |
| 9 | 8 | 7 |

**Memoranda.**—Never trust important matters to memory. Make memoranda of all miscellaneous matters requiring future attention. Date every such memorandum not only with the date when the matter is to be attended to, but also with the date when the "memo" is made. This precaution may save you both time and annoyance. Dates on "memos" may be expressed entirely in figures.

**Hire Account.**—This is an account of receipts; namely, for the service or use of things kept for hire, such as horses and carriages, boats, bicycles, etc. Usually the entries in the Hire account will be mainly on the credit side, since the result of the service should be a gain to the person rendering it or furnishing the thing used. There may be other exceptions, as in the case of "Repair Work" or a professional account, in which the debits for hired service or materials used might exceed the returns (credits) for such services, thus resulting in a loss.

**Debits to Service Accounts.**—While there may be in the case of any service account outlays directly chargeable to the account (since it is proper to charge to an account, any expense or outlay caused by it, that is, by the thing or service it represents), if considerable or frequent sums are spent for tools or instruments for the workman's use, books of reference for the lawyer, medicines, etc., for the physician's use, materials for the repairer's use, property to be hired out, etc., it is better to keep separate accounts of these things under appropriate titles.

## STOCKS AND BONDS.

**Stocks**, in the commercial sense, are shares in the capital of incorporated enterprises. Stock certificates are usually transferable the same as negotiable notes and drafts, (see 33), and hence they are bought and sold the same as Merchandise and other property, the only difference being that the transfer of ownership is more formal. A blank form known as an "assignment endorsement" is printed on the back of the stock certificate, and it is not only necessary for the seller to fill out and sign this, but the purchaser must see to it that the proper transfer is made on the books of the company.

**Bonds** (in the sense here used) are written or printed obligations to pay a certain sum of money at a specified time (or sooner) with interest at a certain specified rate per cent. They are the securities or promises for the repayment of borrowed money. Bonds are issued by city, county, state, and national governments and by corporations when they wish to borrow money to prosecute some special work for which there are not sufficient funds in the treasury.



***The distinction between Stocks and Bonds is this:*** Stocks represent proprietary interests in the invested capital of corporate enterprises, and they depend for income upon the financial success of the enterprises. Bonds are the bills payable of corporations, guaranteeing the payment of borrowed money with interest thereon. The income from bonds consist of payments for the interest thereon, which should be credited to the Interest account. The income from stocks is in the way of dividends paid from the earnings of the business, and these payments when received by the stockholder should be credited to a dividend account.

When stocks or bonds are dealt in as a matter of speculation in addition to some other line of business, they are usually recorded under the general head of "Securities." This Securities account is debited and credited according to the principles governing the debiting and crediting of Merchandise. (See 79, 80.) When, however, the buying and selling of stocks and bonds is extensive, being conducted as a business in itself, accounts are kept with each kind of securities under its own distinctive title, the rules of debit and credit being the same as in the general "Securities" account.

#### SUSPENSE ACCOUNT.

This is an account to which entries, (chiefly credits) of an uncertain nature are carried. It sometimes happens in wholesale houses and large retail establishments doing considerable mail-order business, that money is received from a person who has failed to enclose his letter, or he may have been so careless in writing his letter that it gives no clue as to who the sender is. The money may be from a customer who wishes it credited on his account, or it may be to pay for goods ordered (or intended to be ordered) at the time. In either case about the only thing to be done is to debit Cash, credit Suspense account, and await developments. If the remittance was intended for a payment on account, responses to the statements afterward sent out will reveal who the sender is. If it was from some one ordering goods, a complaint which is sure to come in due time, will solve the mystery regarding the credit. An entry can then be made in the Journal debiting Suspense and crediting the proper account.

Any other item of debit or credit about which there is a question as to the account to which it should be posted, may be carried to this account and there held (in suspense) until the proper account can be determined.

#### OPENING DOUBLE ENTRY BOOKS.

Before attempting to make the opening entry in the books, it is always best to prepare a statement showing all the Assets and all the Liabilities of the proprietor or each partner. In a partnership the assets invested by each partner become the assets of the firm, and the debts assumed by each partner become the liabilities of the firm. Consequently all Assets are debits and all Liabilities are credits. The proprietor or each partner is credited for his net investment. (See 203-206, page 51.)

Sometimes a partner is admitted whose only investment is his special ability and skill. In such a case, his proprietary account receives no credit until the books are closed, when his account is debited or credited for his share of the gain or loss. When an estimated value is placed upon his ability, or services, etc., when he is admitted, an account may be opened under an appropriate title, such as "Special Ability, or Service %," which may be debited, and the party credited for the estimated value of his ability or service. This, however, is seldom practiced, as *the sharing of profits*, at common law, is sufficient to constitute a partnership.

*The sharing of profits and losses is entirely a matter of agreement between the partners.* Partners having equal investments may share unequally in the gains or losses, or both; again, partners having unequal investments may share equally in the gains or losses, or both, *i. e.*, in either case they may share in gains or losses unequally, or *vice-versa*.

Again, partners may share in different proportions in gains or losses derived from different departments of the business, because of special ability, attention, or skill being given to certain branches of the business.

**A Time-Saving Index.**—Many bookkeepers memorize the page of nearly all the accounts in their Ledgers, thus saving much time in referring to them. Considerable time can be saved by making an alphabetical list of the principal accounts which should be written, in a strong plain hand or copied on a typewriter, and kept on the desk or wall in front of you where you can glance at it readily.

**Points about Posting.**—There are numerous ways in which time may be saved in the matter of posting. When a number of entries are to be made in any book at one time, write the page of the Ledger account on each invoice or bill, and then enter them in the posting books in the order of the pages, inserting the Ledger pages. This will shorten your work when you come to post because the entries are not only paged, but they also come in the order of the accounts in the Ledger, thus avoiding needless turning of the leaves. In businesses having a large out-of-the-city-trade, ready reference to the accounts can be facilitated by opening them by towns or localities, alphabetically arranged, grouping all accounts with persons in the same place on consecutive pages set apart for that town.

**Numbering Drafts.**—When statements are rendered to customers and drafts drawn at regular intervals, they may be numbered to correspond with the pages of the accounts. When the bank reports the drafts collected or remittances received, the number of the draft entered in the posting-book will indicate the pages to which the credits are to be posted.

**Paging before Posting.**—The time consumed by repeated references to the index can be saved by taking your Ledger index, and paging the books from which the items are to be posted. Then in posting check the items as they are posted.

**Self-Indexing Book.**—When two or more Ledgers are used, the particular Ledger to which an item is posted may be indicated in the posting book by having the Ledgers paged consecutively from 1 to 500, and from 501 to 1000. If the posting books are similarly paged in books of 500 or 1000 pages each, the number in the page column in the Ledger will denote not only the page but also the book from which the item was posted.

**Posting Debits and Credits Separately.**—In order to prevent errors in posting to the wrong side of an account, it is a good plan to post all the items on the debit side of the Journal before posting the credit items. It is customary to post all the items on the debit side of the Cash-book before posting those on the credit side. The Sales-book, Invoice-book, etc., are all posted to either the debit or credit side of the Ledger.

**Numbering Invoices.**—Beginning with the first of each year, invoices may be numbered consecutively from 1 up as they are received. When each invoice is entered, its number should be recorded. This facilitates ready reference to the entry or to the invoice itself when filed in their regular order.

**Entering Invoices.**—While most bookkeepers enter all invoices as fast as they are received and "O. K.d." many do not enter them oftener than once a month, while others, especially in large concerns, where bills are paid in time to secure the cash-discount (cash-discount, page 145), merely record the invoices in an invoice-register, or file them by due dates, making no entry in the posting book. Then, when the invoices are paid, they charge the amounts to Mdse. in a special "Mdse. column" in the Cash-book, thus saving space in the Ledger and avoiding the necessity of more than one posting for all the invoices received during the month.

**Rendering Statements.**—In order to get out monthly statements of account promptly, you can "take time by the forelock" by starting a statement for each customer as early as the middle of the month, dating it the first of the following month. Number these statements at the top, giving them the numbers of the pages on which the accounts are found, then keep them in numerical order. Whenever you can find a few minutes for the purpose, copy upon these statements the items charged on account since the last statement, leaving the first line blank for the balance of the preceding month. In the case of a customer who, during the month, pays the balance of the account "as per last statement" (see <sup>114</sup>a), the old balance need not be included in the new statement. As soon as you have the statements up with the postings of the Ledger, enter the items for the remainder of the month on the statements as fast as you post them, keeping the statements in the Ledger at their respective accounts. In this way you can have your statements ready for mailing in a short time after you have taken a trial balance.

**Addition.**—Correct and rapid addition is a doubly important and valuable accomplishment, and it is one that any person of ordinary ability can acquire by patient, persistent practice ; yet, but comparatively few possess it. Ten or fifteen minutes of special practice each day in adding by the grouping method will, in a month or two, greatly improve your ability to add.

#### WHAT A BOOKKEEPER SHOULD DO ON TAKING CHARGE OF A SET OF BOOKS.

The thing most necessary to the young bookkeeper on taking charge of a set of books, is *to be sure of himself*. The fact that he may be confronted with a set of books, different in many particulars from any others he ever kept, or even saw before, must not discourage or *unnerve* him ; a careful examination will show him that *the principles of bookkeeping never change*, and that accounts always show the same final results, no matter how different may be the form and number of books used or the manner of posting, etc. The "General Law of Debits and Credits" is always the same.

In taking charge of a set of books the following points should be carefully observed :

1. Carefully study and inspect the different forms of all the books used, and the purpose for which they are kept. Notice particularly the different entries,—where received from and transferred to ; and do not desist until you are familiar with the entire "system" by which the books are kept.

2. See that the books are in balance by comparing the principal accounts with the last trial balance taken.

3. See that cash on hand and in bank agrees with the balance shown by the Cash-book. To do this, have the bank book balanced, and if the balance shown does not agree with the books, see if the unpaid checks issued, and not returned, will make up the difference. If they do not, discover the error by checking up the various deposits and checks. See that the notes and acceptances on hand agree with the Bill-book and the balance shown by the Bills Receivable account.

4. Report any errors or discrepancies found and dispose of them as you may be instructed. Should the books be out of balance, if the error cannot be found, you may force a balance as instructed under the head of "Deranged D. E. Books," page 150, but only with the consent of your employer.

In retiring from a position as bookkeeper, you should observe all the foregoing instructions, so that your successor may begin this work with the least difficulty.

#### PARTNERSHIPS AND CORPORATIONS.

**A Partnership.**—A partnership is an association of two or more persons, for the purpose of undertaking and prosecuting any business, and sharing in the profits and losses accruing.

**A Corporation.**—A corporation is a body, politic or corporate, formed by the associating of individuals, and authorized by law to act as a single person. The differences between a Partnership and a Corporation are as follows :

**Formation.**—A Partnership is formed by an agreement between two or more persons (either verbal or written) to contribute capital, ability, or service, or all of these in a business. A Corporation is formed by the association of two or more persons under a *charter* or *articles of corporation*, issued by some officer of the state which defines certain privileges and certain restrictions in accordance with the general or special law under which it is issued.

**Liability.**—In a partnership each partner is liable for all the debts of the firm. In a corporation each stockholder is liable only for such an amount as is defined by the law but always in proportion to his amount of stock.

**Continuation.**—A partnership continues until the expiration of the time agreed upon for dissolution, or the death of one of the partners. A corporation continues until the expiration of its charter, which may also be made perpetual ; but the death or disability of a stockholder does not affect the corporation.

**Powers.**—A partnership is not restricted to any particular line of business, but a corporation can transact only the business for which it was formed, as described by the charter.

**By Whom Conducted.**—The business of a partnership is conducted by the different members of the firm, any or all of whom have a right to share in the transaction of the business. In a corporation the business is transacted only through the proper officers elected by the stockholders, or their authorized representatives, as authorized and defined by the charter and by-laws.

## TERMS AND DEFINITIONS.

**The Capital Stock** is the amount authorized by the charter, and is represented by the nominal or par value of the stock issued. *The paid-in capital* is the amount paid on the subscribed shares of stock by the stockholders.

**Stock Certificate.**—This is a certificate issued by the corporation to a stockholder certifying that he is the owner of a certain specified number of shares of the capital stock.

**Treasury Stock.**—This is a certain amount of its own stock held by a corporation. It is generally held by the treasurer as *trustee*, and hence is known as "treasury stock." The treasury stock may be secured from the following sources, (1) Any unsubscribed stock of the corporation. (2) Any stock of the corporation purchased or forfeited from the stockholders. (3) Any stock that has been donated by the stockholders to be sold and the proceeds to be used as a working capital.

**The Books Used.**—The books that are peculiar to corporations are the Stock Certificate-book, Transfer-book, Stock Ledger, and the Dividend-book. The other books used are determined entirely by the requirements of the business conducted.

**Capital Stock Account** is the title given to the proprietary account of a corporation. As the proprietary account represents the owners' interest in the business, so in the case of a corporation the capital account represents the combined invested interests of the stockholders. The principal difference between capital stock and other proprietary accounts is that it continues to stand on the books from year to year, without receiving debits for withdrawals and losses, or credits for the gains. Each stockholder holds one or more stock certificates which represent his interest in the enterprise, and entitle him to a pro rata share of the gains, which share is paid to him from time to time in the way of "dividends."

If a stockholder withdraws from the business by disposing of his interest to another person to whom he transfers his stock certificates, it has no effect upon the capital stock account. It only affects the accounts of the stockholders in the Stock Ledger.

**Corporation Bookkeeping.**—The bookkeeping for corporations does not differ essentially from that of an individual business, except in the entries for the investment of the capital at the time of opening the books, and for the net gain or loss at the time of closing the books.

Whenever stock certificates are issued to the stockholder, capital stock is credited. When all the stock has been disposed of and stock certificates issued for it, the Capital Stock will show a credit equal the amount of the authorized capital of the company. The loss or gain is closed into the "Surplus," "Undivided Profits" or "Dividend" accounts, or all of them, instead of into the capital account as in the case of an individual or partnership business.

It is not our purpose to give any extended information regarding corporations other than that which is necessary to the bookkeeper in keeping the accounts of a corporation. The powers, privileges, and restrictions of corporations are different in the several states, as defined by their laws. When corporations are formed or dissolved, it is generally under the direction and by the advice of an attorney, who is familiar with the special requirements of the law of the particular state in which the corporation is located.

**The Stock Ledger.**—This is an auxiliary book in which is recorded the accounts with stockholders of a joint stock company or corporation. It receives its entries from the Stock Certificate-book and from the Transfer-book. From the Stock-book each stockholder is credited for the number of shares and the par value of stock issued to him. From the Transfer-book he is debited for the number of shares and the par value of stock transferred by him to others. The accounts in the Stock Ledger are represented in the Capital Stock account in the General Ledger.

## ADJUSTING DERANGED DOUBLE ENTRY BOOKS.

When a Ledger is out of balance and the error cannot be found, even after every effort has been made to discover it, the usual plan is to "throw the difference into the Loss & Gain." This in any event is to be deplored, but if done at all it should be done properly, without any effort at concealment.

Write plainly, "Discrepancy in Trial Balance," inserting the amount the Ledger is out of balance on the lesser side of the Loss & Gain account. A better plan is to open a "Discrepancy account" which is debited or credited directly in the Ledger, for the amount of the discrepancy. If the error is afterward discovered, a correcting entry can be made to adjust it. If the error remains undiscovered, the account is finally closed into Loss & Gain.

The Discrepancy account may also be debited for any shortage in Cash, or if Cash is found to be "over" this account may be credited. If the error is discovered, proper entries are made to adjust.

## MANUFACTURES.

In many places the business of manufacturing goods from raw materials, also that of packing fruits, vegetables, oysters, etc., is extensively carried on. As in mercantile lines of business dealings in the goods bought and sold for profit are recorded in an account called "Merchandise," so in manufacturing enterprises the making and selling of goods as a business for the purpose of speculation or profit is represented by an account entitled "Manufacturing" (or "Manufactures," as such goods are sometimes styled). The Manufacturing account, then, may be regarded as the Merchandise account of a manufacturing business; and, indeed, it is not inappropriate to give it the title "Merchandise," which is sometimes done.

**Material Accounts.**—Generally the accounts used in ordinary mercantile affairs will be found sufficient in a manufacturing establishment of moderate size. But when the business is at all extensive, it is desirable to show the separate cost of the principal materials used, by opening separate accounts for them.

These material accounts are in reality the debit side of the Manufacturing account, subdivided so as to show the cost of the different materials which go into the finished manufactured article, which when sold is credited to the Manufacturing account. Each material account, therefore, is debited for the cost of that material, and when any of such material is disposed of before it is further manufactured, it is credited to that account. At the time of closing the account, after crediting it with the "Inventory" of unused material on hand, the difference is carried to the Manufacturing account.

**Manufacturing Expenses.**—Where material accounts are kept, as above indicated, special expense accounts are kept for such items as fuel, labor, etc., and the net loss on each is carried to Manufacturing instead of to Loss and Gain.

After all the balances of material accounts, property accounts, and special expense accounts have been carried to Manufacturing, the Ledger accounts are closed as in any ordinary mercantile set, the loss or gain on Manufacturing (after the Inventory of unsold goods has been entered), and other accounts showing losses and gains (not already carried to Manufacturing) are carried directly to Loss and Gain.

## DEPARTMENT MANUFACTURING ACCOUNTS.

This is a further subdivision of a "general manufacturing" account, and is kept exactly similar to "merchandise department" accounts described on page 141. They are debited with all the costs of material, labor, etc., which enter into the cost of the manufactured product of that department. It is credited for all sales, or for the value of property transferred to some other department. These accounts are found most frequently in large manufacturing businesses, such as iron and steel, ship building, glass, mining, oil refining,—in fact in all large industrial establishments. Railroad and transportation companies, while they do not come under the head of manufactures, keep their department accounts in the same manner. They represent, in fact, so many different property accounts. As a rule, they close into the general Loss and Gain account, but sometimes are transferred to a special account, which is the principal account of a group representing some special department of the business. Department accounts are again subdivided into material accounts, the same as is indicated for manufacturing in the preceding article.

When department manufacturing accounts are kept, as above indicated, the special items charged to special expense accounts, as indicated above, are properly charged directly to its special department account, although in very large manufacturing concerns and especially in railroad accounts, the expenses of each department are again subdivided into special expense accounts, which are then closed into a special department account, instead of into a general manufacturing account.

## OPERATING AND REPAIR ACCOUNTS.

In addition to the "material accounts" or "special manufacturing" department accounts, or both, accounts are kept with machinery or power plant, buildings, tools, utensils, etc. In large establishments separate accounts are usually kept for repairs of the various properties, such as "machinery repairs," "power plant repairs," "tool repairs," "building repairs." At the time of closing, these repair accounts should be carried to their respective property accounts before the latter

are closed. In closing machinery, power plant, building, tools, utensils, etc., accounts, they are credited for the "Inventory" or estimated value of the property, generally allowing a certain per cent. off for "wear and tear." Where special repair accounts are kept, and when the property is kept in absolutely first-class condition, this per cent. off for wear and tear may be omitted.

#### THE VOUCHER SYSTEM.

This system of accounting is of recent invention, as its first introduction occurred within a few years. It was first used exclusively by manufacturing and transportation companies, but its advantages are so many that lately it has been adopted in all lines of business, and by many has been declared the coming system of accounts. It is especially desirable in connection with the keeping of department accounts, and is used where the business is conducted practically on a cash basis. Uniform terms of credit, however, may be maintained.

A *Voucher* in the ordinary business sense is a written acknowledgement taken for the payment of a debt; that is, "Any paper or document which serves to vouch the truths of accounts." Notes, receipts, acceptances, checks, etc., are used as vouchers in proving business facts. A voucher is also termed, "a warranty of title."

As applied in the voucher system of accounts, it means that for all purchases there is attached to the check, order, or warrant issued, a statement showing the purpose for which the money is paid. In corporations where the different officers are required to sign all checks, etc., for money paid, the voucher exhibits in detail the purpose for which the money is paid.

After it has been signed by the proper officers, the voucher, with the check attached, passes to the party to be paid, who writes his receipt upon the voucher, detaches it from the check, and returns it to the party who issued it. The check is deposited in the bank, by whom it is eventually returned to the person, firm, or company issuing it. It is then filed with the voucher, and forever possesses in itself the evidence for which the money was paid. As to time of payment, the voucher may be payable in 30, 60, or 90 days, or it may be payable on presentation at the bank, the same as a check; usually however, they are not payable until a certain day of some succeeding month.

The vouchers are recorded in the Voucher Payable-book as issued. The form of this book varies according to the business, but it usually contains a special column for each account that is likely to be debited for goods or material purchased. At the end of the month, "Vouchers Payable" account is credited through the Journal for the total vouchers issued and the different accounts represented in the purchases are debited.

As the vouchers are paid at bank and returned, Cash is credited and "Vouchers Payable" debited. When all vouchers that have been issued are paid, the account must balance. When the vouchers are payable "on demand" at bank, they should be deducted from the balance in banks when issued, the same in every particular as checks, instead of when returned by the bank as is the custom for those made payable on or after a certain date.

**Time-Book.**—In this book is recorded the name of each employee and time he has worked, in months, weeks, days or hours, as the case may be. From this book the *pay roll* is made up which shows the time, wages and amount due each employee. There are many different forms of this book, ruled to suit the requirements of the different businesses. The Time-book and pay roll are often combined in one book.

**Special Books.**—In addition to the books that have been described, there are many others in use in the many different lines of trade and manufacture which we do not have the space to describe. These books are devised to meet the requirements of some special business, and their uses are readily understood by the bookkeeper.

## SET 6.

## MANUFACTURING.

Perhaps no other line of business activity commands more attention from an economical, social, and industrial standpoint, than that of manufacturing. The preceding sets have been confined to mercantile businesses. The following set is intended to illustrate a system of accounts as applied to a large manufacturing establishment, modeled after that in use by one of the largest steel manufacturing companies in the world.

## SPECIAL FEATURES.

(1) Explanation and illustration of corporation accounts ; (2) Explanation and use of the voucher system ; (3) Illustration and use of special columns in books of original entry ; (4) Explanation, illustration, and use of department accounts, labor accounts, etc.

## JOINT STOCK COMPANIES AND CORPORATIONS.

**Advantages.**—Corporations, or Joint Stock Companies, as they are sometimes called (see note below), are one of the necessities of the times. The large combinations of capital required to conduct and carry on great commercial and industrial enterprises demanded some arrangement that would lessen the individual liability and responsibility of the ordinary partner. Consequently laws have been enacted in the different states, creating for corporations a separate legal existence and extending to stock-holders certain privileges and exceptions from liability which cannot be secured in the ordinary partnership relation.

**NOTE.**—Corporations are always joint stock companies, but joint stock companies are not always corporations. For instance, the capital of an ordinary partnership may, by agreement between the partners, be divided into shares, and the business conducted by a board of directors and officers. Each partner's interest in the firm is shown by the number of shares which he holds, yet each shareholder is but a partner and is not relieved from any of the liabilities of a partner. This is a joint stock company but not a corporation. In New York State the liability of the stock-holders in a joint stock company is limited by statute.

The principal differences between partnerships and corporations are shown on pages 149 and 150 under the head of Partnerships and Corporations, which you should now read.

**Formation.**—Preliminary to forming a corporation the promoters usually prepare a statement, setting forth the object for which the corporation is formed, with such additional information as will enable the public to judge as to its desirability as an investment. A subscription blank is prepared, in which each subscriber signs a contract for the number of shares he wishes to purchase. As soon as a sufficient amount of stock has been subscribed (depending upon the requirements of the law, which varies in the different states), "Articles of Incorporation" are drawn and application is made to the proper state or judicial officer, who issues the document conferring the right to form a body corporate, providing the privileges asked for conform with the law under which the document is issued.

Corporations are created in two ways: (1) by charter, or (2) by general statute. An act passed by the Legislature creating a corporation is known as its *Charter*, and when corporations are thus formed, a special act must be passed for each corporation. At present, most if not all of the states have a general law of incorporation, declaring by *general statute* the purposes for which corporations may be created. All that is necessary in these states is to substantially comply with the provisions of this statute. The document conferring the right to form a body corporate under general statute is called a *Certificate of Incorporation*.

To form a corporation under the statute law of Maryland, it is necessary that five or more citizens of the United States, three or more of them citizens of the state, shall make, sign, seal and acknowledge a certificate in writing in which shall be stated:

1. Name in full and residence.
2. Name of corporation.
3. Object and purpose of corporation.
4. Place where to be carried on.
5. Amount of capital and stock.
6. Number of shares and amount of each.
7. Number of trustees, directors or managers and other names, who shall manage the concern the first year.

The Certificate must be submitted to the Judge of the Circuit Court or one of the judges of the Supreme Bench of Baltimore City for his approval as to conformity to law.

The Certificate is then to be properly recorded, after which the body shall be a corporation.

When the charter or certificate of incorporation has been secured, by-laws are adopted, a board of directors and officers are elected, and the corporation is ready to proceed in conducting the business for which it was created.

**Board of Directors.**—This body represents the stock-holders and is vested with the management and direction of all the affairs of the corporation, through its officers, who are elected from among its own number. These officers are usually the President, Secretary, and Treasurer.

**Duties of Officers.**—The duties of the officers of a corporation are usually defined in the by-laws.

**The President** is the chief executive officer. He presides at the meetings of the board and ordinarily exercises the authority of the board, when it is not in session.

**The Secretary** keeps the *official* records of the corporation, and usually attends to its correspondence. The Secretary's books are the Minute-book, Subscription-book, or blank, Stock Certificate-book, Stock Ledger, etc.

In the *Minute-book* are recorded the proceedings of all the meetings of the stock-holders and directors. This record should be most complete, as the officers must look to it for the necessary authority to conduct the affairs of their respective offices, and in case of litigation it is taken as *prima facie* evidence for the acts of the board of directors and officers. The minutes of each meeting should be signed by the Secretary and also by the President.

**The Subscription-book**, or blank, contains the subscription of each original stock-holder. The stock may be fully paid up or it may be paid for in installments at stated times, or at the call of the company. See form page 156.

**The Stock Certificate-book.**—This is a book of printed blanks with stubs, which are filled out and the blanks are issued to the stock-holders. See form of Certificate page 163.

**The Transfer-book.**—In this book all transfers of stock from one stock-holder to another are recorded, and from it the proper entries are made in the different accounts in the Stock Ledger. See form of Certificate of Transfer page 163.

**The Stock Ledger.**—In this book the accounts with different stock-holders are kept. Each stock-holder is credited with the number of shares, and par value of stock issued to him. He is debited with all stock he transfers to other parties. The summary of the balances, shown by the accounts in Stock Ledger, plus Treasury Stock, should at all times equal the amount of the Capital-Stock account in the General Ledger.

**The Dividend-book.**—This book is kept to show the dividends due and paid to each stock-holder. A dividend is a certain percentage declared on the capital stock, to be paid from the earnings of the company.

The amount of the dividend to be declared is determined from the condition of the business as shown by the Balance Sheet. When it has been declared, a "Dividend" account is opened in the General Ledger which is credited for the amount of the dividend. As the checks are issued by the Treasurer the Dividend account is debited and when all stock-holders have been paid, the account will balance. As each stock-holder receives his check he is required to receipt for it in the Dividend-book.

**The Secretary** is the *custodian* of, and is responsible for all the foregoing books together with the charter and seal of the corporation.

**The Treasurer** is the *financial officer* of the corporation. He is the custodian of, and is responsible for all of the funds of the corporation. The ordinary books of account, in which is recorded the general business of the concern, are kept in his office, and the bookkeeper works under his instructions. It must be remembered that the books of the Secretary and those of the Treasurer are distinct and separate.

The foregoing is an outline of the duties generally performed by the different officers, but they may be, and frequently are, changed by the board of directors to suit the requirements of a particular business.

#### EXPLANATIONS AND USE OF THE VOUCHER SYSTEM.

In the following set the voucher system, its use, and the different books required are fully explained and illustrated. The advantages of the system will at once become apparent to the observant accountant. It is especially adapted to manufacturing and other large establishments where department accounts are kept. See Vouchers, pages 164–5 and Voucher Register, page 160.

A brief description of the voucher system is given on page 152, which you should read carefully. The plan as explained on page 152 contemplates the issuing of the check in payment of the voucher *at the time the voucher is*



issued, the check being held by the payee until the voucher is due. In this set, however, the voucher itself is held by the party issuing it until its maturity, when the check is issued in payment and remitted with the voucher. This method possesses many advantages over the one described on page 152. Files, which contain receptacles for each day in the year, may be used, the voucher being placed in that receptacle which corresponds with the due date of the voucher.

### SPECIAL COLUMNS IN BOOKS OF ORIGINAL ENTRY.

Special Columns are used primarily to reduce posting. This has already been demonstrated in the Commission set, illustrated on pages 123-130. They may be used in any business, and in any book that contains a number of similar entries that are posted to the same account. In this set all the different books of original entry used as posting mediums, will have special columns adapted to meet the requirements of the business.

### DEPARTMENT ACCOUNTS.

Read "Department Accounts," page 141, also "Manufacturers," "Department Manufacturing Accounts" and "Operating and Repair Accounts," page 151.

To illustrate the keeping of department accounts the business of manufacturing has been selected. The set is intended to illustrate the special features of the accounting department of the business, rather than to furnish an extended drill in the clerical duties of the accountant and his assistants.

It is presumed that the student is thoroughly familiar with the science of accounts and the ordinary duties of the accountant and bookkeeper; therefore only sufficient entries are given to illustrate the special features of the set. The student is depended upon to note further the advantages (and disadvantages, if any) of the system, as well as to compare the present set with preceding sets, and observe the differences and similarities which exist.

### PROPOSITION.

E. W. Milton and H. H. Wales, trading as Milton & Wales, are equal partners in the business of manufacturing boilers, engines, machinery and castings. The present net resources of the business are valued at \$70,000. They propose to organize a joint stock company, incorporated under the laws of the state, to be known as the National Foundry & Machine Company, with a capital of \$100,000, divided into 1000 shares of \$100 each. They agree to turn over to the company all of their resources at their present valuation, and receive in payment therefor 700 shares of the stock of the company at par, 350 shares of the same to be issued to Mr. E. W. Milton, and 350 to Mr. H. H. Wales. This proposition having been presented with a statement of the resources of the business as shown below, subscriptions for the remaining stock were secured as shown by the subscription blank submitted herewith. (See next page.)

### *Statement of Resources of Milton & Wales June 1st.*

|                                    |                  |       |       |  |
|------------------------------------|------------------|-------|-------|--|
| Real Estate                        | Plot of 15 Acres |       | 23000 |  |
| Foundry Dept.                      |                  |       |       |  |
| Building & Machinery               | 6500             |       |       |  |
| Patterns in hand                   | 2300             |       |       |  |
| Finished Castings                  | 1900             |       |       |  |
| Big Iron                           | 900              |       |       |  |
| Coke                               | 700              |       |       |  |
| Old metal & Scrap                  | 400              | 12700 |       |  |
| Boiler Dept.                       |                  |       |       |  |
| Building & Machinery               | 2500             |       |       |  |
| Boiler Plates & Castings           | 3800             |       |       |  |
| Rivets, Tubing, Valves, etc.       | 800              | 6100  |       |  |
| Engine & Machinery Dept.           |                  |       |       |  |
| Building & Machinery               | 11400            |       |       |  |
| Finished Engines on hand           | 3400             |       |       |  |
| Engines in process of construction | 11600            |       |       |  |
| Castings, Brasses & Materials      | 1800             | 28200 | 70000 |  |

SUBSCRIPTION-BLANK.

*Subscriptions*  
*National Foundry & Machine Co.*  
*Capital Stock \$100000. Number of shares 1000.*  
*Par Value \$100.*  
*We the undersigned hereby subscribe for the number of*  
*shares of stock of the Natl Foundry & Machine Co. set op-*  
*posite our names in consideration of the proposition*  
*made by Milton & Wales.*

| Date    | Number of Shares    | Par Value | Signatures     |
|---------|---------------------|-----------|----------------|
| July 30 | Three Hundred Fifty | 35000     | E. W. Milton   |
| 30      | Three Hundred Fifty | 35000     | H. H. Wales    |
| 30      | Fifty               | 5000      | H. M. Grayson  |
| 30      | Fifty               | 5000      | Earle Winthrop |
| 30      | Twenty-five         | 2500      | Geo. R. Hart   |
| 30      | Twenty-five         | 2500      | R. Grayson     |
| 30      | One Hundred         | 10000     | M. Grace       |
| 30      | Fifty               | 5000      | A. H. Rivers   |
|         |                     | 100000    |                |

The stock having been subscribed in full, a certificate setting forth the names of the subscribers, the name of the corporation, its object and purpose, etc., was prepared and presented to the proper court officer, who approved it. The certificate was then recorded in the City Recorder's Office, when the process of forming the corporation was completed.

A meeting of the stock-holders was immediately called, when officers were elected as follows : Board of Directors: E. W. Milton, Earle Winthrop, H. M. Grayson, Geo. R. Hart, and H. H. Wales. Officers were elected by the Board as follows: President, E. W. Milton; Secretary, H. H. Wales, Treasurer, G. R. Hart. F. G. Botsford was continued as Superintendent.

By-laws defining the duties of the officers were adopted. The Secretary and Treasurer were empowered to secure necessary books and stationery and to adopt such a system of accounts as would in their judgment best meet the requirements of the business.

The above information was taken from the Minute-book of the Secretary, and is given here for the general information of the student. It is not our purpose to go into the details of the organization of the company. It is customary to employ the services of an attorney in such cases, to whom it is best to intrust the details of the organization. The National Foundry & Machine Co. is now ready to transact business.

OUTLINE OF THE BUSINESS AND ITS PURPOSE.

The business of the corporation is to manufacture machinery, castings, boilers, engines, etc. To do so, it is necessary to operate a foundry, boiler shop and an engine and machine shop, in which the engines and machinery are constructed. In addition to the ordinary accounts of a mercantile business, it is desired to have the books show the losses or gains arising from each of these departments. It will therefore be necessary to keep a separate account with each, to be known as the Foundry % Boiler %, and Engine & Machinery %.

It is also desired that the Foundry % shall show at the end of the year the cost of all labor employed, and the material used in that department. To do this, separate accounts must be kept with "Pig Iron and Scrap," "Labor," "Patterns," "Freight and Express," "Building Machinery & Implements," and "Operating Expenses." Any items that do not come under any of these heads are charged directly to the Foundry %.

The accounts subordinate to the Foundry account are kept to illustrate what are known as Cost and Material accounts. Similar accounts might be kept for the Boiler and the Engine & Machinery accounts, but are omitted in this set so that both methods may be illustrated. In large businesses it is always wise to keep separate Cost and Material accounts for each general department account.

## SALES BOOK.

| July 5. |                                                                 | Items           |        | Total  |        | Distributions |        |         |            |
|---------|-----------------------------------------------------------------|-----------------|--------|--------|--------|---------------|--------|---------|------------|
|         |                                                                 |                 |        |        |        | Eng & Mch.    | Boiler | Foundry | Eng & Mch. |
| 56      | Suburban Ry. Co. Trenton, N. J. 7/10                            |                 |        |        |        |               |        |         |            |
|         | 100 Rail Brackets 1500 <sup>00</sup>                            | 3 <sup>00</sup> | 450    |        |        |               |        |         |            |
|         | 250 Flanges 3250 <sup>00</sup>                                  | 2 <sup>75</sup> | 87 35  |        |        |               |        |         |            |
|         | 300 Brake Shoes 3600 <sup>00</sup>                              | 2 <sup>75</sup> | 81     | 620 35 | 620 35 |               |        |         |            |
| 56      | Reading Wood Pulley Co. Reading, Pa. 7/30                       |                 |        |        |        |               |        |         |            |
|         | 1 Upright 100 h.p. Boiler & Engine with trimmings complete      |                 |        | 265    |        |               |        |         | 265        |
| 56      | Southern Mfg. Co. Birmingham, Ala. 7/10                         |                 |        |        |        |               |        |         |            |
|         | 1 60 h.p. 4 in. Tub. Boiler and trimmings complete per contract | 495             |        |        |        |               | 495    |         |            |
|         | 1 Slider tank 50 h.p. Engine with fixtures complete             | 475             |        |        |        |               |        |         | 475        |
|         | 1 Cast Iron Front with Tie doors and trimmings                  | 45              | 1015   | 45     |        |               |        |         |            |
| 56      | Grand Central Hotel, City. Net Cash                             |                 |        |        |        |               |        |         |            |
|         | 1 Heating Boiler & trimmings                                    | 95              |        |        |        |               |        |         |            |
|         | 2 Kitchen Ranges with fittings 625                              | 187 50          | 282 50 | 282 50 |        |               |        |         |            |
| 57      | Adams Hdw. Co. New York 7/30                                    |                 |        |        |        |               |        |         |            |
|         | 17-pcs. Ass'd. Slvr Castings 456 <sup>00</sup>                  | 3 <sup>00</sup> | 13 65  |        |        |               |        |         |            |
|         | 300 - - - - - Lash Weights 1250 <sup>00</sup>                   | 2               | 25 60  |        |        | 39 25         |        |         |            |
|         | 4-60 gal. Mch. Riv. Boilers 11.50                               | 46              | 85 25  |        |        |               | 46     |         |            |

A Sales Ledger will be used, which will contain accounts with all persons to whom goods are sold. All purchases are made upon a cash basis, and instead of the ordinary check, vouchers will be issued in payment of all bills. This will necessitate the keeping of a Voucher Register. The entries are made in the Voucher Register from the stub of the voucher, exactly as the entries for checks issued are made in the Cash-book from the stub of the check.

## JOURNAL.

| July 1. |                        | Bank Leds. Accts. |        | Sales Leds. Accts. |     | Foundry Accts. |        | Boiler Accts. |        | Eng & Mch. Accts. |     |
|---------|------------------------|-------------------|--------|--------------------|-----|----------------|--------|---------------|--------|-------------------|-----|
|         |                        | Dr.               | Cr.    | Dr.                | Cr. | Dr.            | Cr.    | Dr.           | Cr.    | Dr.               | Cr. |
| 1       | Subscription           | 100000            |        |                    |     |                |        |               |        |                   |     |
| 1       | Capital Stock          |                   | 100000 |                    |     |                |        |               |        |                   |     |
|         | per subscription book  |                   |        |                    |     |                |        |               |        |                   |     |
| 2       | Real Estate            | 23000             |        |                    |     |                |        |               |        |                   |     |
| 2       | Bld. Mch. & Imp.       | 6500              |        |                    |     |                |        |               |        |                   |     |
| 3       | Patterns               | 2300              |        |                    |     |                |        |               |        |                   |     |
| 3       | Foundry                | 1900              |        |                    |     |                |        |               |        |                   |     |
| 4       | Pig Iron & Scrap       | 1100              |        |                    |     |                |        |               |        |                   |     |
| 4       | Coke                   | 500               |        |                    |     |                |        |               |        |                   |     |
| 4       | Pig Iron & Scrap       | 400               |        |                    |     |                |        |               |        |                   |     |
| 5       | Boiler                 | 6100              |        |                    |     |                |        |               |        |                   |     |
| 5       | Eng & Mch.             | 28200             |        |                    |     |                |        |               |        |                   |     |
| 1       | Subscription           |                   | 70000  |                    |     |                |        |               |        |                   |     |
|         | Foundry charge bill    |                   |        |                    |     | 319 35         | 211 16 |               |        | 107 97            |     |
|         | Boiler charge bill     |                   |        |                    |     | 13 25          |        | 606 55        | 593 50 |                   |     |
|         | Eng & Mch. charge bill |                   |        |                    |     | 20 52          | 81 20  |               |        | 101 72            |     |
|         | Foundry charge bill    |                   |        |                    |     | 52 80          | 34 25  |               |        | 17 95             |     |

CASH-BOOK.

CASH.

| Date   | Led. Page |                         |                     | Sales Ledger Credits | Made Discount | Cash Dr. |
|--------|-----------|-------------------------|---------------------|----------------------|---------------|----------|
| July 1 |           | Subscription of         | For Stock           |                      |               | 30000    |
|        |           |                         | H. M. Grayson 5000  |                      |               |          |
|        |           |                         | Earle Winthrop 5000 |                      |               |          |
|        |           |                         | Geo R. Hart 2500    |                      |               |          |
|        |           |                         | E. R. Grayson 2500  |                      |               |          |
|        |           |                         | M. Grace 10000      |                      |               |          |
|        |           |                         | G. H. Rivers 5000   |                      |               |          |
| 16     | 56        | Reading Wood Valley Co. | In full less 2%     | 265                  | 5 30          | 259 70   |
| 16     | 56        | Grand Central Hotel     |                     | 282 50               |               | 282 50   |
| 23     | 57        | Russell Mfg. Co.        | less 2%             | 924 50               | 18 49         | 906 01   |
| 23     | 57        | Civilwell Supply Co.    |                     | 700                  |               |          |
| 23     | 56        | Southern Mfg Co.        |                     | 1015                 |               | 1715     |
| 31     | 56        | Suburban Ry Co.         | On a/c              | 5659                 |               |          |
| 31     | 6         | Sales Ltd & Co.         |                     | 3337                 | 23 79         | 33313 21 |
| 31     | 9         | Mdse. Disct & Co.       |                     |                      |               |          |
|        |           | Balance                 |                     |                      |               | 27033 50 |

TIME-BOOK AND PAY-ROLL.

| Voucher No. 6                 | Test | Week Ending July 8 | Total Hrs. | Wks. per Year | Am't.  | Distribution           | Rec'd from Nat'l Foundry & Mch. Co. |
|-------------------------------|------|--------------------|------------|---------------|--------|------------------------|-------------------------------------|
| THOMAS                        |      | MTWTFSS            |            |               |        | Fab'ry Builders Engine | The amounts set opposite our names. |
| F. E. Burns, Foreman          | July | 10 10 10 10 10 10  | 60         | 304           | 18     | 24                     | 18                                  |
| Jno. Hannum, Mldr.            | -    | 10 8 10 10 X 10    | 48         | 242           | 18 80  | 10 80                  | 10 80                               |
| B. A. Holmes                  | -    | 9 9 9 10 10 7      | 54         | 272           | 12 15  | 12 15                  | 12 15                               |
| Chas. J. Smith                | -    | 10 10 10 9 10 10   | 59         | 295           | 11 90  | 11 90                  | 11 90                               |
| Geo. New                      | -    | 10 8 8 8 10 8      | 52         | 261           | 10 90  | 10 90                  | 10 90                               |
| Wm. Marshall, Appr.           | -    | 10 10 8 8 10 8     | 54         | 272           | 6 75   | 6 75                   | 6 75                                |
| R. O. Feath                   | -    | 10 10 9 9 9 8      | 55         | 275           | 6 85   | 6 85                   | 6 85                                |
| Henry Wagner, Capt.           | -    | 8 9 X 7 10 8       | 42         | 191           | 7 95   | 7 95                   | 7 95                                |
| Frank Howe, Labr.             | -    | 10 8 9 8 10 10     | 55         | 275           | 8 35   | 8 35                   | 8 35                                |
| Jas. McCarthy                 | -    | 6 10 10 8 8 8      | 50         | 250           | 6 35   | 6 35                   | 6 35                                |
| C. L. Marlow, Foreman & Boile | -    | 9 9 9 9 9 9        | 54         | 271           | 18 90  | 18 90                  | 18 90                               |
| Oak Murphy, Painter           | -    | 9 9 X 8 8 9        | 43         | 215           | 10 75  | 10 75                  | 10 75                               |
| Mike McCarthy                 | -    | 9 X 9 9 9 9        | 44         | 220           | 11     | 11                     | 11                                  |
| C. E. Holmes, Helper          | -    | 9 9 9 8 9 8        | 52         | 261           | 7 80   | 7 80                   | 7 80                                |
| Wm. Kiedler                   | -    | 9 X 9 9 9 9        | 45         | 225           | 6 75   | 6 75                   | 6 75                                |
| John Richey, Labr.            | -    | 10 X 8 9 9 9       | 45         | 225           | 5 65   | 5 65                   | 5 65                                |
| Ed Barnes                     | -    | 8 8 8 9 10 10      | 53         | 265           | 6 65   | 6 65                   | 6 65                                |
| Henry Clark, Foreman Eng'g    | -    | 9 9 11 9 9 8       | 55         | 275           | 22     | 22                     | 22                                  |
| Clayton Walters, Mch'k        | -    | 9 9 9 X 9 9        | 44         | 220           | 12 10  | 12 10                  | 12 10                               |
| John Wells                    | -    | 9 9 9 9 9 9        | 54         | 270           | 14 25  | 14 25                  | 14 25                               |
| Richard Bayan                 | -    | 9 9 X X 9 9        | 36         | 180           | 9 90   | 9 90                   | 9 90                                |
| Ernest Everts, Appr.          | -    | 9 9 9 9 9 9        | 54         | 270           | 5 90   | 5 90                   | 5 90                                |
| Tom Sherman, Eng'g            | -    | 9 9 9 9 9 9        | 54         | 270           | 10 80  | 10 80                  | 10 80                               |
| Robert Smith, Foreman         | -    | 10 10 6 10 10 10   | 60         | 300           | 9      | 9                      | 9                                   |
| Andy King, Labr.              | -    | 10 10 10 10 10 10  | 60         | 300           | 5 70   | 5 70                   | 5 70                                |
| Ed McCurdy                    | -    | 10 10 10 10 10 10  | 60         | 300           | 15     | 15                     | 15                                  |
|                               |      |                    | 526        | 2630          | 101 35 | 73 90                  | 87 25                               |

The above illustration shows the Pay-roll at the time the voucher and check are issued for it. As each employ is paid, he signs his name in the blank column to the right. Read note page 165.

## CASH.

| Date   | Leaf Page |                    |             | Sales Ledger Credits | Vouchers Payable | Discount | Cash     |
|--------|-----------|--------------------|-------------|----------------------|------------------|----------|----------|
| July 8 |           | Voucher # 1        |             | 1                    | 364              | 10 92    | 353 08   |
| 8      |           | " 3                |             | 2                    | 706 91           | 35 35    | 671 56   |
| 8      |           | " 4                |             | 3                    | 38 75            |          |          |
| 8      |           | " 5                |             | 4                    | 25               |          |          |
| 8      |           | " 6                |             | 5                    | 761 98           |          | 325 73   |
| 16     |           | " 8                |             | 6                    | 64 37            |          | 64 37    |
| 16     |           | " 10               |             | 7                    | 63 38            | 2 54     | 60 84    |
| 16     |           | " 11               |             | 8                    | 23               |          |          |
| 16     |           | " 14               |             | 9                    | 21 39            |          |          |
| 16     |           | " 15               |             | 10                   | 289 02           |          | 333 41   |
| 23     |           | " 18               |             | 11                   | 2280 17          | 114 01   | 2166 16  |
| 23     | 58        | Wabster & Co       | Ext prepaid | 12                   | 83 41            |          | 83 41    |
| 23     |           | Voucher # 19       |             | 13                   | 401              |          | 401      |
| 31     | 56        | Southern Mfg Co    | Ext prepaid | 14                   | 216 18           |          |          |
| 31     | 59        | Penna Coal Co.     | "           | 15                   | 47 50            |          | 263 68   |
| 31     |           | Voucher # 22       |             | 16                   | 1079 62          |          |          |
| 31     |           | " 2                |             | 17                   | 175 60           |          |          |
| 31     |           | " 7                |             | 18                   | 322 75           |          |          |
| 31     |           | " 9                |             | 19                   | 28 50            |          | 6556 43  |
| 31     | 6         | Sales Led. Cr. Dr. |             | 20                   | 347 09           | 165 12   | 1821 97  |
| 31     | 8         | Voucher Pay. Dr.   |             |                      | 6095 44          |          |          |
| 31     | 9         | Mdse. Disc. Cr.    |             |                      |                  | 162 82   |          |
|        |           |                    |             |                      |                  |          | 27033 50 |
|        |           |                    |             |                      |                  |          | 33313 21 |

In the above illustration of the Cash-book the word "Balance" is omitted on the credit side as being unnecessary. A great many practical bookkeepers omit this word on the credit side in closing the Cash-book, but write it on the debit side as shown on the opposite page. It is written here so as to avoid writing the name of the first account on the debit side on the wrong line.

## THE BOOKS USED.

The Cash-book, Sales-book, Sales Ledger, Voucher Register, the Journal and the General Ledger are used as principal books, and the Time-book and the Payroll-book as auxiliary. The Bills Receivable-book may also be kept when many notes are received.

The Time-book and Pay-roll are combined in the illustration given on page 158. The purpose and use of these books are so fully shown in the illustration that no further explanation is deemed necessary. When they are used as separate books, only the total amount of time is entered in the Pay-roll book from the Time-book.

**Cash-book.**—This book has three columns on the debit side and four on the credit. The first column contains the "Sales Ledger Credits," that is, all receipts which are to be credited to accounts in the Sales Ledger, are entered in this column. Second column is the "Discount Dr." column, and the third contains the net cash receipts. The peculiar features of this book can be readily understood by referring to the illustration above.

The credit side contains four columns: the first, for "Sales Ledger Debits;" the second, for "Vouchers Payable Dr.;" the third, for "Discount Cr.," and the fourth, for net cash payments. Only the footings of the first two columns on the debit side and the first three columns on the credit side are posted at the end of the month, as shown in the illustration.

**Sales-book.**—This book contains special columns in which are entered the sales belonging to each department. The totals are posted to the debit of the Sales-Ledger account, and the credit of the different Department accounts at the end of the month. See illustration page 157.

The totals of the different columns should be arranged for posting at the end of the month, one following the other on separate lines as shown in the illustration of the Cash-book.

**Sales Ledger.**—This book is kept just like an ordinary Ledger, except that accounts with persons only appear in it. An account is kept in the General Ledger representing the Sales Ledger under the title of "Sales Ledger %." This account is often known as "Accounts Receivable %." (Read "General Ledger Accounts Representing Subordinate Ledgers," page 142.) This account is debited at the end of the month for the total sales taken from the footing of the Sales-book, and it

VOUCHER.

| Date of Entry | Vo No | To whom issued       | Address        | Foundry Department |        |      |    |        |         |             |
|---------------|-------|----------------------|----------------|--------------------|--------|------|----|--------|---------|-------------|
|               |       |                      |                | operating Exp      | Mat'l  | Wage | Se | Cost % | Labor % | Anticipated |
| July 8        | 1     | Oster Mfg Co         | Chicago, Ill.  |                    | 364    |      |    |        |         |             |
| 8             | 2     | Walworth & Co.       | Philadelphia   |                    |        |      |    |        |         |             |
| 8             | 3     | Cambria Co.          | Johnstown Pa   |                    |        |      |    | 42     |         |             |
| 8             | 4     | City Dray Co.        | City           |                    |        |      |    |        |         |             |
| 8             | 5     | L. P. Hart Trans.    |                |                    |        |      |    |        |         |             |
| 8             | 6     | R. B. Belsford & Co. |                |                    |        |      |    |        | 101.35  |             |
| 16            | 7     | Magew & Harding      | Cincinnati O.  |                    | 322.75 |      |    |        |         |             |
| 16            | 8     | Dixon Hdw. Co.       | City           |                    |        |      |    |        |         | 5.50        |
| 16            | 9     | Jenkins Bros.        | City           |                    |        |      |    |        |         | 25.50       |
| 16            | 10    | Pittsburg Mfg Co.    | Pittsburg, Pa. |                    |        |      |    |        |         | 10.64       |
| 16            | 11    | Excelsior Trans. Co. | City           |                    |        |      |    |        |         |             |
| 16            | 12    | Office Supply Co.    | City           |                    |        |      |    |        |         |             |

is credited from the Cash-book and Journal for the total payments received on account during the month. The sum of the balances shown by the open accounts in the Sales Ledger should exactly equal the balance shown by the Sales Ledger % in the General Ledger.

**Voucher Register.**—This book and the vouchers themselves are the distinctive features of what is known as the Voucher System. In the Voucher Register (sometimes called the Vouchers Payable Book) are entered all the vouchers issued. A careful study of this book, of the voucher, and of the distribution of accounts as shown on the back of the voucher will reveal the strong points of the voucher system. They may be summed up as follows : 1. It avoids the necessity for opening accounts with creditors, as vouchers are issued for all purchases. 2. It allows of the proper distribution of accounts into *Department, Cost and Material* accounts with the least labor to the bookkeeper. 3. It secures greater accuracy and guards against fraud in conducting the business of large concerns.

The voucher system is used with many variations as to form, time of payment, etc. It is susceptible of great elasticity in adaptation to the particular requirements of different businesses. The plan most generally adopted is as follows. After a bill has been received and found to be correct, a voucher is at once made out ; that is, the items are copied from the bill to the voucher, and are then distributed to the proper accounts noted on the back of the voucher.

If a discount is to be deducted from the bill, the deduction is made at the time the check is written. The terms of the bill should be shown on the voucher as well as the deduction of the discount.

Sometimes it is preferred to paste or fasten the bill itself to a form of *Voucher Receipt* (see form p. 165) on the back of which is printed the form for the distribution of the items. In either case the voucher is folded so that this distribution is exposed on the back of the voucher.

It is the custom with many houses to file all the bills received during the month and, at the end of the month, issue a voucher to each party from whom a bill is purchased. When more than one bill is received during the month from the same party they may all be entered on one voucher, provided it is the rule to copy the bill on the voucher. If, however, the bill is pasted to the voucher, as indicated above, a separate voucher must be issued for each bill. The disadvantage of issuing all the vouchers at the end of the month is that it increases the work of the bookkeeper when he can least spare the time. To overcome this objection some houses do not issue vouchers for one month until sometime during the following month.

Many houses issue all vouchers for the month only upon a certain regular date of the following month. For instance, on the 10th of the month vouchers are issued for all the bills of the preceding month.

When the voucher has been filled out, it is at once entered in the Voucher Register with the items distributed to their proper accounts, as shown on the back of the voucher.

The disposal of the voucher depends upon the terms of the bill purchased. If a bill is to be paid at once, the check is immediately written and forwarded with the voucher to the party to whom it is payable. If the bill is not due until some future time, say 10, 30, 60, or 90 days, the most common plan is to place the voucher in what is known as a *tickler file*, having receptacles for the

## REGISTER.\*

| Frt. & Exp. | Boiler |     | Engr. Mch. |     | General Expense |             | Vouchers | Particulars of Bill |            |          | When and How Paid |     |        |
|-------------|--------|-----|------------|-----|-----------------|-------------|----------|---------------------|------------|----------|-------------------|-----|--------|
|             | Dr.    | Cr. | Dr.        | Cr. | Salaries        | Incidentals |          | Date                | Terms      | When Due | Date              | No. | Amount |
|             |        |     |            |     |                 |             | 364      | July 3              | 3/10, 7/10 | July 13  | July 8            | 1   | 364    |
|             | 102 55 |     | 23 05      |     |                 |             | 175 60   | 5                   | 7/30       | Aug 4    |                   |     |        |
|             | 615    |     | 49 91      |     |                 |             | 706 91   | 9                   | 7/10, 7/10 | July 13  | July 8            | 2   | 706 91 |
| 29          | 75     |     | 9          |     |                 |             | 38 75    | 1                   | Cash       | 8        | 8                 | 3   | 38 75  |
|             |        |     |            |     |                 | 25          | 25       | 8                   | "          | 8        | 8                 | 4   | 25     |
|             | 73 31  |     | 87 29      |     |                 |             | 261 98   | 8                   | "          | 8        | 8                 | 5   | 261 98 |
|             |        |     |            |     |                 |             | 322 75   | 6                   | 7/30       | Aug 5    |                   |     |        |
|             | 44 20  |     | 144 67     |     |                 |             | 64 37    | 11                  | Cash       | July 16  | July 16           | 6   | 64 37  |
|             |        |     |            |     |                 |             | 28 50    | 8                   | 7/30       | Aug 7    |                   |     |        |
|             |        |     | 57 74      |     |                 |             | 63 35    | 13                  | 7/10, 7/10 | July 16  | July 16           | 7   | 63 35  |
| 5           | 4 50   |     | 13 50      |     |                 |             | 73       | 15                  | Cash       | 15       | 16                | 8   | 73     |
|             |        |     |            |     |                 | 20 75       | 20 75    | 12                  | 7/30       | Aug 11   |                   |     |        |

different months and days of the year. The voucher should be placed in the receptacle dating a few days prior to the maturity of the bill, so that the voucher with the check may reach the seller within the term of credit. As each bill matures the voucher is taken from its receptacle, a check is written and forwarded with the voucher to the payee. The check should contain a number to correspond with the number of the voucher.

When the voucher and check are received by the party to whom they are issued, the voucher should at once be receipted in full, in the form printed on the voucher, and the entire voucher and receipt returned to the sender. Notwithstanding the plain instructions printed on the voucher, some thoughtless business men neglect to follow them. The check is deposited by the payee and is finally returned to the party who issued it, by the bank on which it was drawn.

When the check is returned by the bank, it should be pinned or fastened to the voucher for which it was issued and then filed permanently. The vouchers should be filed in the order of their numbers, so that any particular voucher can be quickly found.

In some establishments all checks are written at the time the voucher is written. In such cases the check is made payable at the maturity of the bill, either by post-dating the check, or by making the check "Payable on or after —" (maturity of the bill). This plan is not advocated for general use, as many persons do not like to accept checks so written. Again, some vouchers are paid with a check attached, which is torn off at the perforation, when received by the payee. In other cases the voucher remains attached to the check and is deposited in bank, and returned to the party issuing the voucher with the check. One great objection to this plan is the inconvenience of handling the voucher when passing through the bank.

At the end of the month Vouchers Payable account (or Accounts Payable) is credited for the total amount of the vouchers issued, as shown by the "Vouchers Cr." column. The different department cost and material accounts are debited for the amounts shown by their respective columns. Vouchers Payable account is debited from the Cash-book with all checks issued in payment of vouchers; consequently any balance shown by the Vouchers Payable account is the amount owing to others for bills purchased,—the amount of vouchers unpaid. When all vouchers are paid the account will balance.

**Journal.**—By referring to the illustration of the Journal the purpose of the different columns can be readily understood. Only the items in the General Ledger and Sales Ledger columns are posted during the month. The footings of the Sales Ledger and Department % columns are posted at the end of the month. See illustration page 157.

Arrange totals for posting as previously instructed.

**General Ledger.**—This book does not differ from the ordinary Ledger, except that it does not contain personal accounts.

\* NOTE.—The forms shown in this set are intended only to illustrate the different books and papers used, and are not to be taken as a guide in making the entries, as the amounts may not be correct.

**To the Student.**—It is presumed that you have carefully studied the foregoing information preparatory to becoming *general bookkeeper* for the National Foundry & Machinery Co., the duties of which position you will now assume. As you have already been informed, the ordinary books of account of a corporation are usually in charge of the Treasurer and you will therefore receive your instructions from Mr. Hart. Remember that the Secretary is the custodian of the Subscription-book, Stock-Certificate-book, Stock Ledger, and Minute-book, therefore you will have nothing to do with them; however you should carefully study the forms of the different books as shown in the illustrations, so that you may understand their use, and the manner in which they are kept.

Mr. Hart, in whose office you are employed, being your immediate superior, you will follow his instructions very carefully in regard to the different transactions.

JULY 1,

Mr. Hart.—“As subscriptions have been received for 1000 shares of stock at par, which is the entire capital stock of the company, make a Journal entry: ‘Subscription  $\frac{1}{2}$  to Capital Stock  $\frac{1}{2}$  \$100,000’ with the proper explanation.”

At the time of opening the books Subscription account should always be debited for the full amount of the stock subscribed to that date, and as the remaining stock (if any) is subscribed, Subscription account should be debited for the same, at its par value. The object of the Subscription account is to show how much has been paid on the subscriptions, and how much is still owing.

Mr. Hart.—“I have received a bill of sale from the firm of Milton & Wales for the property and plant as shown by this statement, which is in payment for their subscriptions for 700 shares of stock, for which stock certificates have been issued. We will keep special *cost* and *material* accounts for the Foundry Department, but not for the Boiler and the Engine & Machinery Departments. Make an entry in the Journal charging the different accounts as indicated in the statement. Credit ‘Subscription  $\frac{1}{2}$ ’ for the total \$70,000.”

*Statement of property and plant taken from bill of sale  
of Milton & Wales to the National Foundry & Machine Co.  
July 1.*

|                                                             |       |       |
|-------------------------------------------------------------|-------|-------|
| Real Estate. Inventory                                      |       | 23000 |
| Foundry Department Inventories                              |       |       |
| Building Machinery & Implements (B. M. & I. $\frac{1}{2}$ ) | 6500. |       |
| Patterns on hand (Pattern $\frac{1}{2}$ )                   | 2300. |       |
| Finished Castings (F. C. $\frac{1}{2}$ )                    | 1900. |       |
| Pig Iron (P. I. $\frac{1}{2}$ )                             | 1100. |       |
| Coke (Coke $\frac{1}{2}$ )                                  | 500.  |       |
| Old Metal & Scrap (O. M. & S. $\frac{1}{2}$ )               | 400.  | 12700 |
| Boiler Dept                                                 |       |       |
| Building & Machinery                                        | 2500  |       |
| Boiler Plates & Castings                                    | 3500  |       |
| Rivets Tubing Valves etc.                                   | 500   | 6100  |
| Engine & Machinery Dept.                                    |       |       |
| Building & Machinery                                        | 11400 |       |
| Finished Engines on hand (E. & M. $\frac{1}{2}$ )           | 3400  |       |
| Engines in process of construction                          | 11600 |       |
| Castings Brasses and Materials                              | 1800  | 28200 |
|                                                             |       | 70000 |

Make the Journal entry for the above statement on a sheet of bill-cap paper and present for approval before entering. Subscription account is debited for the total subscriptions received for the stock; it is credited for the amount of those subscriptions paid, whether in cash or otherwise. In case the subscriptions were paid in installments, or for any other reason were not paid in full at the time the books were opened, the difference between the two sides of the Subscription account would show the amount owed the company by the stock-holders.



## CERTIFICATE OF STOCK.

|                              |                         |
|------------------------------|-------------------------|
| No. of Certificate <u>44</u> | No. of Shares <u>50</u> |
|------------------------------|-------------------------|

## National Foundry & Machine Co.

CAPITAL STOCK \$100,000.

This Certifies That Earle Winthrop is the owner of Fifty Shares of the Capital Stock of the National Foundry & Machine Company, transferable in person or by attorney on the books of said Company only upon the surrender of this Certificate.

In Witness Whereof, this Certificate is signed by the President and Secretary this First day of July A. D. \_\_\_\_\_ under the corporate seal of the Company.



M. H. Wales  
SECRETARY.

E. W. Miller  
PRESIDENT.

Mr. Hart.—“Cash has been received as follows in payment of subscriptions to the capital stock of the company, as per the subscription book: H. M. Grayson, \$5000; Earle Winthrop, \$5000; Geo. R. Hart, \$2500; E. R. Grayson, \$2500; M. Grace, \$10,000; A. H. Rivers, \$5000. Certificates of stock have been issued to the different stock-holders for the full amount of their subscriptions, and their accounts have been properly credited in the Stock Ledger. Make the proper entry for the cash received, in the Cash-book.”

Debit Cash to Subscription account for the amount of cash received, indicating in the explanation column the amount received from each stock-holder.

## CERTIFICATE OF TRANSFER.

## TRANSFER BOOK.—National Foundry &amp; Machine Co.

For Value Received, I hereby assign and transfer to H. C. Archer all my right title, and interest in Ten shares of the capital stock of the National Foundry & Machine Co., now standing on the books of the Company in my name.

Dated this 23 day of Aug Signed, M. Grace

No. of Certificate surrendered 7 Debit M. Grace

No. of Certificate issued 9 Credit H. C. Archer

Certificates of Transfer are used when a party, having disposed of stock to another party, wishes to have the same transferred on the books of the Company. The certificates of transfer are usually bound in book form, and it is from these certificates that the proper entries are made in the Stock Ledger, debiting the party surrendering the old certificate and crediting the party to whom the new certificate is issued.

You have now made the distinctive opening entries pertaining to a set of corporation books and are ready for the recording of the ordinary business transactions. Open the Capital Stock  $\frac{1}{2}$  on the first page of the Ledger, and the Subscription  $\frac{1}{2}$  in the middle of the page; then post the entries from the different books, opening two accounts to the page and take a trial balance.

The opening entries for joint stock company books vary, as almost every bookkeeper has his own peculiar plan. For instance each stock holder may be debited individually in the General Ledger for the amount of his subscription, instead of Subscription account, or Subscription account is frequently opened under other titles, such as Stockholders, Franchise, Certificates of Stock, Unpaid Capital, etc. It is not unusual for the Capital Stock account to be credited directly from the Cash-book for the amount of cash received in payment of stock, but this is usually done only when the stock is all issued at the time of organizing the company and is paid in full.

In this set but one day's business is given in each week, or rather a condensation of all the important entries of the week are given as one day's business. This has been done for a two-fold purpose; in order to avoid a needless repetition of similar entries, and also to secure the natural maturity of bills, notes and accounts. The number of transactions given are considered ample to illustrate the purposes of the set, which is all that is deemed necessary for the student who has advanced to this point in his work.

In giving the cost of material, labor, etc., which enter into the production of the finished product in the different departments, the prices are not intended to be strictly accurate but are approximate to those ruling in the general market. However, about the proper proportions of the cost of the different items which enter into the manufacture of the goods, have been maintained.

No effort has been made to give the student information in regard to the technicalities of the foundry and machine business. Only such information is given as is necessary to the bookkeeper, in order that the proper records may be made. A technical knowledge of any business can only be obtained by an actual experience in that business, and inasmuch as such a knowledge is in no way a necessary part of an accountant's education, no effort has been made to furnish any information outside of that necessary to the proper conducting of the accountants' department.

## VOUCHER.

## National Foundry &amp; Machine Co.

To Oster Mfg. Co. Dr.  
Address Chicago, Ill.

No. 1  
TERMS: 3/10 net

| DATE   | DESCRIPTION                                   | AMOUNT |        |
|--------|-----------------------------------------------|--------|--------|
| July 1 | 6 Tons Lake Superior Charcoal Pig Iron @ \$15 | 90     |        |
| 10     | Feet No. 2                                    | 14     | 104    |
| 8      | Ohio Strong Softeners No. 1                   | 16.75  | 120.75 |
|        |                                               |        | 364    |
|        | Discount 3%                                   | 10.92  |        |
|        |                                               |        | 353.08 |

I certify that the above account is correct, having been contracted for the use and benefit of the National Foundry & Machine Co.

Approved: E. H. Minton President.

Geo. R. Hart Treasurer.  
per H. E. Ely

Received July 1, 1909 from the National Foundry & Machine Co.  
Three Hundred Fifty-three and 08/100 Dollars, in full for above account.  
Oster Mfg. Co.

PLEASE RECEIPT AND RETURN THIS ENTIRE VOUCHER WITHOUT DETACHING RECEIPT, BY FIRST MAIL.

This illustration shows the voucher after it has been received with the check, receipted, and returned by the Oster Mfg. Co. The check is shown on the next page.

Merchants Bank

Baltimore, July 8

No. 1-

Pay to the order of

Oster Mfg. Co.

\$ 353.00

Three Hundred Fiftythree - 00 Dollars,

In payment Voucher to 1

National Foundry & Machine Co. Inc.

BACK OF VOUCHER.

No. 1

Issued July 8

Due July 13

\$ 364.

To Oster Mfg. Co.

Address Chicago, Ill.

Paid July 8

Check No. 1

|                        |                    |     |
|------------------------|--------------------|-----|
| Operating Expenses,    | } Foundry %        |     |
| Pig Iron and Scrap,    |                    | 364 |
| Coke,                  |                    |     |
| Labor,                 |                    |     |
| Patterns,              |                    |     |
| Building Mch.' & Imp.  |                    |     |
| Freight and Express,   | } General Expense. |     |
| Boiler %               |                    |     |
| Engine and Machinery % |                    |     |
| Salaries,              |                    |     |
| Incidentals,           |                    |     |
| Total,                 |                    | 364 |

National Foundry &  
Machine Co.

JULY 8, TRANSACTIONS.

Mr. Hart.—“The following bills have been received during the week. Issue vouchers for them and pay those on which a cash discount is offered by check. File the other vouchers until they become due.” (See form of Voucher Register, page 160.)

Sign the name of the Treasurer, Geo. R. Hart, adding your own initials or name; take the vouchers to your teacher who will sign the President's name.  
As each voucher is paid, leave it and the check with the teacher, who will represent the parties to whom they are issued. Later, when the voucher is returned, place it in a separate file until the check is also returned, when it should be folded with the voucher, and both permanently filed in the order in which the vouchers are numbered.

NOTE TO THE TEACHER.—The voucher handed you by the students should be properly receipted and returned to the student within a short time; on the morning after the day following is a good time. The checks issued by each student should be properly endorsed and placed in packages ready to be returned when the student calls for them. This work may be greatly facilitated by the use of rubber stamps and files.

Oster Mfg. Co., Chicago, bill of July 3. Terms 3% 10 days, net 60. 6 tons Lake Superior Charcoal Pig Iron at \$15, \$90; - - - 10 tons Foundry No. 2 Pig Iron at \$14, \$140; - - - 8 tons Ohio Strong Softeners No. 1 Pig Iron at \$16.75, \$134 (charge Pig Iron %); - - - Total \$364.

NOTE.—The Pay-roll is made out in the Superintendent's office. The time of each workman is kept by the foreman of each department, or in large establishments by the timekeeper, who reports the time to the Superintendent's office daily or weekly; from these reports the Pay-roll, as illustrated on page 158, is made. It is then passed to the Treasurer, who instructs the bookkeeper to issue a voucher for the amount, which is receipted by the Superintendent. The check for the voucher is made payable to the Superintendent who pays the men. As they are paid, they are required to sign their names to the Pay-roll, in the column indicated. After the men have all been paid, the Superintendent returns the Pay-roll to the Treasurer, where it should be filed with the voucher for which it was issued. The voucher record then shows the receipt of the Superintendent for the total amount of the voucher, and the receipt of each employee for the amount of his wages. When the check is returned, it should be filed with the voucher, as you have been instructed.

## VOUCHER.

## National Foundry &amp; Machine Co.

To Walworth & Co. Dr.No. 2Address Philadelphia Pa.TERMS: 30 ds.

| DATE   | DESCRIPTION                          | AMOUNT |     |    |
|--------|--------------------------------------|--------|-----|----|
| July 5 | 42 Globe Valves 5.50                 | 17.20  |     |    |
|        | 4 - 1 1/2" Angle Valves 3.50         | 15.40  |     |    |
|        | 2 - 2 1/2" Globe Safety Valves 20.00 | 40.00  |     |    |
|        | 9 1 1/2" Elbows 1.25                 | 9.45   |     |    |
|        | 5 1/2" Unions 1.25                   | 6.25   |     |    |
|        | 7 1 1/2" Crosses 1.50                | 10.50  |     |    |
|        | 3 Plain Lubricators 3.00             | 9.00   |     |    |
|        | 7 Nickel Plated Oil Cups 1.50        | 10.50  |     |    |
|        |                                      |        | 102 | 55 |
|        |                                      |        | 23  | 05 |
|        |                                      |        | 125 | 60 |

I certify that the above account is correct, having been contracted for the use and benefit of the National Foundry & Machine Co.

Approved

J. H. Milton President.

Geo. Hart Treasurer.

per H. E. L.

Received,

from the National Foundry & Machine Co.

Dollars in full for above account.



PLEASE RECEIPT AND RETURN THIS ENTIRE VOUCHER WITHOUT DETACHING RECEIPT, BY FIRST MAIL.

This represents the voucher as it is made out from the bill ready for filing.

No. 2 Issued July 8  
 Due Aug. 4 \$ 125.60  
 To Walworth & Co.  
 Address Philadelphia Pa.  
 Paid \_\_\_\_\_ Check No. \_\_\_\_\_

|                        |                  |        |
|------------------------|------------------|--------|
| Operating Expenses,    |                  |        |
| Pig Iron and Scrap,    |                  |        |
| Coke,                  |                  |        |
| Labor,                 | Foundry %        |        |
| Patterns,              |                  |        |
| Building Mch. & Imp.   |                  |        |
| Freight and Express,   |                  |        |
| Boiler %               |                  | 102.55 |
| Engine and Machinery % |                  | 23.05  |
| Salaries,              |                  |        |
| Incidentals,           | General Expense. |        |
| Total,                 |                  | 125.60 |

National Foundry &  
Machine Co.

No. 3 Issued July 8  
 Due July 13 \$ 706.91  
 To The Cambria Co.  
 Address Johnstown Pa.  
 Paid July 8 Check No. 2

|                        |                  |        |
|------------------------|------------------|--------|
| Operating Expenses,    |                  |        |
| Pig Iron and Scrap,    |                  |        |
| Coke,                  |                  |        |
| Labor,                 | Foundry %        | 42     |
| Patterns,              |                  |        |
| Building Mch. & Imp.   |                  |        |
| Freight and Express,   |                  |        |
| Boiler %               |                  | 61.5   |
| Engine and Machinery % |                  | 49.91  |
| Salaries,              |                  |        |
| Incidentals,           | General Expense. |        |
| Total,                 |                  | 706.91 |

National Foundry &  
Machine Co.

Johnstown, Pa. July 3,  
National Foundry Machine Co.  
Baltimore Md.

Bought of THE CAMBRIA CO.

MANUFACTURERS OF

TERMS 5/10 7/60

Coke Pig Iron and Steel.

|                 |                                   |       |        |  |        |  |
|-----------------|-----------------------------------|-------|--------|--|--------|--|
| Boiler %        | 6 Sheets Open Hearth Flange Steel |       |        |  |        |  |
|                 | 7/16 x 72 x 232 16374#            | 2.14¢ | 350.45 |  |        |  |
| Ex Mch %        | 16 pcs Mch. Steel 1290#           | 1.95¢ | 25.16  |  |        |  |
| Ex Mch %        | 7 Tool " 550#                     | 4.5¢  | 24.75  |  |        |  |
| Coke %          | 20 Tons Connellsville Coke \$2.10 |       | 42     |  |        |  |
| Boiler %        | 704 " Boiler Tubes 1260 ft. 60¢   | 75¢   |        |  |        |  |
|                 | Less 65%                          | 49¢   | 264.60 |  | 706.91 |  |
| Correct G. & B. | Discount 5%                       |       |        |  | 35.25  |  |
|                 |                                   |       |        |  | 671.56 |  |

I certify that the above account is correct, having been contracted for the use and benefit of the National Foundry & Machine Co.

Approved: E. H. Minton President. Geo. P. Hart Treasurer.  
per Key

Received July 12 from the National Foundry & Machine Co.  
Six Hundred Seventy-one 56/100 Dollars fully for above account.  
No. 3 The Cambria Co. per H.  
PLEASE RECEIPT AND RETURN THIS ENTIRE VOUCHER WITHOUT DETACHING RECEIPT, BY FIRST MAIL.

This illustration shows the form of the voucher, when it is attached to the original bill received from the party from whom the purchase was made, instead of the items being written on a separate blank, as illustrated in the other forms of the voucher shown. This plan saves the rewriting of the items of the bill on the voucher. The voucher is pasted to the bottom of the bill at the point indicated by the double lines. The form for the distribution of the accounts is printed on the back of the voucher. The illustration shows the voucher after it has been receipted and returned by The Cambria Co.

JULY 8, TRANSACTIONS CONTINUED.

Walworth & Co., Philadelphia, Pa., July 5. Terms net 30 days. 3 2" Globe Valves at \$5.90, \$17.70 (Boiler %); - - - 4 1 1/2" Angle Valves at \$3.85, \$15.40 (Boiler %); - - - 2 2 1/2" Globe Safety Valves at \$20, \$40 (Boiler %); - - - 9 1 1/2" Elbows at \$1.05, \$9.45 (Boiler %); - - - 5 1/2" Unions at \$1.90, \$8.00 (Boiler %); - - - 3 Plain Lubricators at \$3.60, \$10.80 (Eng. & Mch. %); - - - 7 Nickel Plated Oil-cups at \$1.75, \$12.25 (Eng. & Mch. %); - - - 7 1 1/2" Crosses at \$1.50, \$10.50 (Boiler %); - - - Total \$125.60.

In making out the vouchers for this, and all similar transactions having more than one item to be charged to one account, group the items so that the total amount charged to each account can be ascertained, and enter only the total amounts on the back of the voucher and also in the Voucher Register. See voucher page 166.

The Cambria Co., Johnstown, Pa., bill July 3. Terms 5% 10 days, net 60. 6 Sheets Open Hearth Flange Steel 7/16 x 72 x 232", 16374# at 2.14¢, \$350.40 (Boiler %); - - - 16 Pieces Mch. Steel, 1290# at 1.95¢, \$25.16 (Eng. & Mch. %); - - - 7 pieces Tool Steel, 550# at 4.5¢, \$24.75 (Eng. & Mch. %); - - - 20 tons Connellsville Coke \$2.10, \$42 (Coke %); - - - 70 4" Boiler Tubes, 1260 ft. at 60¢, less 65%, \$264.60 (Boiler %); - - - Total \$706.91. (See voucher above).

## JULY 8, TRANSACTIONS CONTINUED.

Mr. Hart.—“The following goods have been sold for which bills have been made by the bill clerk. Make the proper entries in the Sales-book. (See form of Sales-book, page 157.)

Suburban Railway Co., Trenton, N. J. Net 10 days. 100 Rail Brackets, 15000# at 3¢; - - - 250 Rail-Flanges, 3250# at 2½¢; - - - 300 Brake Shoes, 3600# at 2½¢ (Fdry. %).

Reading Wood Pulley Co., Reading, Pa. 2% 10 days, net 30. 1 Upright 10 h. p. Boiler and Engine with Trimmings complete, \$265 (Eng. & Mch. %).

Southern Mfg. Co., Birmingham, Ala. Net 10 days. 1 60 h. p. 4" Tube Boiler and Trimmings complete, per contract, \$495 (B. %); - - - 1 Side Crank 50 h. p. Engine with Fixtures complete, \$475 (Eng. & Mch. %); - - - 1 Cast Iron Boiler Front with Furnace Doors and Trimmings complete, \$45 (Fdry. %).

Grand Central Hotel, City. Terms Net Cash. 1 Heating Boiler and Trimmings, \$95 (Boiler %); - - - 3 Kitchen Ranges with Fittings at \$62.50 each (Fdry. %).

Mr. Hart.—“Issue a voucher in favor of the City Dray Co. for the following freight bills, after which you will issue a check for the amount, and secure the proper receipt on the voucher.”

From Oster Mfg. Co., Chicago. 1 Car of Iron, \$23.50 (Frt. & Ex. %); - - - 1 Box of Valves from Walworth Co., Phila., Pa., \$2.50 (Boiler % 75¢, Eng. & Mch. % \$1.75); - - - From Cambria Co., Johnstown, Pa. 1 Car of Coke, \$5.50 (Fdry. %); - - - 1 Car of Steel, \$7.25 (Eng. & Mch. %).

It is generally the custom when keeping department accounts to charge freight bills directly to the department for which the goods were brought. This plan is followed in this set. When the goods of a single freight bill are distributed to various departments, it is the custom to make as equitable a division of the freight bill as possible. This is illustrated in the bill from Walworth & Co. in the above entry.

It would also be proper to open a general Freight & Drayage account to which all such vouchers would be charged; this, however, does not charge each department with the actual cost of the materials, etc, which is the distinctive principle of department accounts.

Mr. Hart.—“Issue a voucher in favor of myself for \$25 for stamps, stationery, and other incidental office expenses and write a check for the same.”

This transaction illustrates the manner in which an account of ordinary expenses is kept. As the Treasurer has not yet expended this money, he cannot make any statement in detail as to how it has been expended. It is customary, however, for the Treasurer to hand in such a statement later on. This statement may then be pinned to the voucher, and in this way an itemized statement for all expenditures may be secured.

Mr. Hart.—“The Superintendent hands in the following “Charge-bills” for materials and labor transferred to other departments which were handed to him by the foreman of each department.” (See Journal, page 157, also Charge-bill, below.)

When department accounts are kept it is necessary for the foreman of each department to keep a record of all materials or labor transferred to other departments which has been charged regularly to his department. To do this it is customary for each foreman to keep a memoranda of all such transfers of material or labor, and hand a report of the same to the Superintendent or bookkeeper at the end of each week, when the proper entries are made on the general books. Generally the Superintendent affixes the prices, as the foreman may not be familiar with them. These reports are known as “Charge-bills;” sometimes “Credit-bills” are also rendered. In them all labor or material received from other departments are reported. When this is done the Charge and Credit-bills should agree; that is the Charge-bills coming from one department should check with the Credit-bills coming from another.

## NATIONAL FOUNDRY &amp; MACHINE CO.

Charge-bill *Foundry* Department.

Date, *July 8,* —

| CHARGE.                      | LABOR OR MATERIAL.                        | COST.        |             |           |  |
|------------------------------|-------------------------------------------|--------------|-------------|-----------|--|
| <i>Boiler % Dr.</i>          | <i>20 grate Bars 6 ft. long 3200" 2½¢</i> | <i>80</i>    |             |           |  |
|                              | <i>3 Sets Grate Bearings 750" 2½¢</i>     | <i>20 63</i> |             |           |  |
|                              | <i>3 Arch Plates 750" 2½¢</i>             | <i>20 63</i> |             |           |  |
|                              | <i>2 Sets Back Stays 2000" 2½¢</i>        | <i>82 50</i> |             |           |  |
|                              | <i>45 hrs Labor 18¢</i>                   | <i>8 10</i>  | <i>211</i>  | <i>86</i> |  |
| <i>Eng. &amp; Mch. % Dr.</i> | <i>1 Fly Wheel 1200" 3¢</i>               | <i>36</i>    |             |           |  |
|                              | <i>12 Metal Bearings 72" 3½¢</i>          | <i>2 52</i>  |             |           |  |
|                              | <i>1 Eng. Frame Castings 100 5¢</i>       | <i>68 25</i> |             |           |  |
|                              | <i>6 hrs Labor 20¢</i>                    | <i>1 20</i>  | <i>107</i>  | <i>97</i> |  |
|                              |                                           |              | <i>1319</i> | <i>83</i> |  |

## JULY 8, TRANSACTIONS CONTINUED.

## Foundry Dept. Charge-bill.

Boiler  $\frac{1}{2}\%$  Dr. 20 Grate Bars 6' long, 3200# at  $2\frac{1}{2}\text{¢}$ , \$80; - - - 3 sets Grate Bearers, 750# at  $2\frac{1}{2}\text{¢}$ , \$20.63; - - - 3 Arch Plates, 750# at  $2\frac{1}{2}\text{¢}$ , \$20.63; - - - 2 sets Buck Stays, 3000# at  $2\frac{1}{2}\text{¢}$ , \$82.50; - - - 45 hrs. Labor at 18¢, \$8.10; - - - Total \$211.86.

Eng. & Mch.  $\frac{1}{2}\%$  Dr. 1 Fly Wheel, 1200# at 3¢, \$36; - - - 12 Metal Bearings, 72# at  $3\frac{1}{2}\text{¢}$ , \$2.52; - - - 1 Engine Frame, 7 Castings, 2100# at  $3\frac{1}{2}\text{¢}$ , \$68.25; - - - 6 hrs. Labor at 20¢, \$1.20; - - - Total \$107.97.

## Boiler Dept. Charge-bill.

Foundry  $\frac{1}{2}\%$  Dr. 450# Scrap Iron and Steel at  $1\frac{1}{2}\text{¢}$ , \$6.75; - - - 42 hrs. Labor at 15¢, \$6.30; - - - Total \$13.05.

Eng. & Mch.  $\frac{1}{2}\%$  Dr. 1 Upright Boiler 44 x 72", \$112; - - - 1 20 h. p. Upright Boiler, 48 x 78", \$186; - - - 1 40 h. p. Horizontal Tubular Boiler, 60 x 156", \$295.50; - - - Total \$593.50.

## Eng. &amp; Mch. Dept. Charge-bill.

Foundry  $\frac{1}{2}\%$  Dr. 3 Brass Gauge Cocks at \$3.50, \$10.50; - - - 4 Brass Bearings, 36# at 7¢, \$2.52; - - - 12 hrs. Labor at 25¢, \$3; - - - Power for one week, \$4.50; \* - - - Total \$20.52.

Boiler  $\frac{1}{2}\%$  Dr. 1 Brass Safety Valve, \$30; - - - 1 Chime Whistle,  $1\frac{1}{2}"$ , \$28; - - - 1 Chime Whistle,  $\frac{1}{2}"$ , \$11; - - - 1 Safety Water Gauge, \$6.50; - - - 15 hrs. Labor at 18¢, \$2.70. Power for week \$3; - - - Total \$81.20.

\* The Engine and Boiler which furnishes the power for running machinery of the plant is located in the Eng. & Mch. Department. The above charge is an estimated cost of the power used by the Foundry Department and is consequently charged to the Operating Expense account.

Mr. Hart.—“Issue a voucher for the amount of the pay-roll for last week in favor of F. G. Botsford, Supt. Write a check for the amount of the voucher and have the voucher properly receipted.”

Refer to the illustration of the Pay-roll shown on page 158 for the amount of labor performed in each department and the total amount for which to issue the voucher. This Pay-roll is made up in the Superintendent's office from the Time-books kept by the foreman of each department. See note page 165.

It must be remembered that vouchers are issued for everything for which cash is paid when the voucher system is used in its entirety. In some establishments, however, vouchers are issued only for bills purchased, and expenses, salaries, etc., are paid in the ordinary way without issuing vouchers. As the student is already familiar with this latter method, in this set, vouchers will be issued for all payments of cash except when cash is paid to be charged to personal accounts in the Sales Ledger, which will be explained when the transaction occurs.

Again some houses pay *city vouchers* for small amounts in cash instead of by check. In this set, however, everything is paid by check. One particular advantage of the voucher system to which we call your attention especially is, that each voucher is in itself a receipt. This is most essential when books are regularly audited as is usually the case with corporations.

**Posting.**—Post at the end of each days' business and prove cash.

Only such items are posted from the different books of original entry as affect personal accounts in the Sales Ledger and such accounts in the General Ledger for which special columns are not kept. In posting to the Sales Ledger a system of “Reverse Check or Proof Posting” should be adopted as explained on page 145, so as to guard against any mistakes.

## JULY 16, TRANSACTIONS.

Mr. Hart.—“Reading Wood Pulley Co's check for \$259.70 is received, in full for their bill of July 8, less discount. The Grand Central Hotel's check is also received, in full of account.”

See entries C. B., page 160.

Mr. Hart.—“Issue Vouchers for the following bills and pay those which offer a discount for cash.”

Magee & Harding, Cincinnati, Ohio, July 6. Terms net 30 days. 12 tons Southern Coke Pig Iron No. 1 at \$13, \$156; - - - 11½ tons Tennessee Pig Iron No. 1 at \$14.50, \$166.75 (P. I.  $\frac{1}{2}\%$ ); - - - Total \$322.75.

Dixon Hdw. Co., City, July 12. Term net cash. 2 Eagle Anvils, 480# at 4¢, \$19.20 (Boiler  $\frac{1}{2}\%$ ); - - - 2 Sledge Hammers at \$2.75, \$5.50 (Fdry., M. & I.  $\frac{1}{2}\%$ ); - - - 3 kegs of Wire Nails at \$3, \$9 (E. & M.  $\frac{1}{2}\%$ ); - - - 76# Bar Lead at  $4\frac{1}{2}\text{¢}$ , \$3.42 (E. & M.  $\frac{1}{2}\%$ ); - - - 5 Hand Files, 45¢, \$2.25 (E. & M.  $\frac{1}{2}\%$ ); - - - 2 Bench Vices at \$12.50, \$25 (Boiler  $\frac{1}{2}\%$ ); - - - Total \$64.37.

Jenkins Bros., City, July 8. Terms net 30 days. 3 Foundry Patterns, \$28.50 (Pattern  $\frac{1}{2}\%$ ).

Pittsburg Manufacturing Co., Pittsburg, Pa., July 13. Terms  $\frac{1}{10}, \frac{n}{60}$ . 9 Pieces Bar Iron, 760# at 1.4¢, \$10.64 (Fdry., Mch. & Imp.  $\frac{1}{2}\%$ ); - - - 7 pieces Open Hearth Steel, 670# at 2.05¢, \$13.74 (E. & M.  $\frac{1}{2}\%$ ); - - - 4 Plates Flange Steel,  $\frac{3}{8} \times 22 \times 72"$ , 1800# at 2¢, \$36 (E. & M.  $\frac{1}{2}\%$ ); - - - 1 piece Tool Steel, 100# at 3¢, \$3 (E. & M.  $\frac{1}{2}\%$ ).

## JULY 16, TRANSACTIONS CONTINUED.

Excoelsior Transfer Co., City, July 15. Terms, net cash. To Hauling 100 Rail Brackets, 250 Rail Flanges, 300 Brake Shoes, \$3.50 (Fdry., F. & E. %); - - - 1 Upright Boiler and Engine, \$7.50 (E. & M. %); - - - 1 Tube Boiler, \$4.50 (B. %); - - - 1 Engine and Fixtures, \$6 (E. & M. %); - - - 1 Cast Iron Boiler Front, \$1.50 (Fdry., F. & E. %); - - - Total \$23.

Office and Supply Co., July 12. Net 30 days. 16 yards Office Matting at 40¢ per yard, \$6.40; - - - 3 Office Rugs at \$4 per Rug, \$12; - - - 1 qt. Copying Ink, 75¢; - - - 2 boxes of Pens at 80¢, \$1.60; - - - Total \$20.75 (Incidentals).

Howard Refining Co., Pittsburgh, Pa., July 10. Terms net 30 days. 1 brl. X. X. Lubricator, \$9.75 (Op. Ex.); - - - 1 brl. Cylinder Oil, \$10.60 (E. & M. %); - - - 1 brl. Lard Oil, \$14 (Boiler %); - - - Total \$34.85.

Mr. Hart.—“The following goods have been billed from the different departments; make the proper entries in the Sales-book.”

Adams Hardware Co., New York. Terms net 30 days. 17 pieces Ass'd Stove Castings, 456# at 3¢ (Fdry. %); - - - 300 Ass'd Sash Weights, 1280# at 2¢ (Fdry. %); - - - 4 60 gallon Machine Riveted Boilers at \$11.50 (Boiler %).

Russell Mfg. Co., Providence, R. I. Terms  $\frac{2}{10}$ ,  $\frac{2}{60}$ . 2 Engine Frames, 4860# at 3¢ (Fdry. %); - - - 16 pieces Engine Castings, 2790# at 3¢ (Fdry. %); - - - 1 30 h. p. Centre Crank Engine, \$380 (E. & M. %); - - - 1 30 h. p. Tubular Boiler and Trimmings, \$247.50 (B. %); - - - 1 Two Arch Boiler Front and Trimmings, \$67.50 (Fdry. %).

Oilwell Construction Co., Pittsburg, Pa. Terms, net cash. 12 Duplex Deep Well Pumps at \$45 (E. & M. %); - - - 1 Hoisting Engine, 20 h. p., \$160 (E. & M. %).

Coleman Coke Co., Wheeling, W. Va. Terms, net 30 days. 1 No. 12 Duplex Pump, \$214 (E. & M. %); - - - 1 20 h. p. Horizontal Boiler and Trimmings, \$189 (B. %); - - - 48 Car Wheels, 580# at 3¢ (Fdry. %).

Mr. Hart.—“Issue a check and voucher in favor of the City Dray Co. per their bill of to-day for the following freight bills: 1 car load of Pig Iron from Magee & Harding, Cincinnati, O., \$13.76 (F. & E. %). A bill of Iron and Steel from the Pittsburgh Mfg. Co., \$7.63 (F. & E. %, 47¢; Eng & Mch. %, \$7.16). Total \$21.39.”

“The Superintendent has handed in the ‘Charge-bills’ for the week from which I have requested him to make the following statements of totals only, for which you will make the proper entry.”

The items will be omitted hereafter as they are not necessary to the bookkeeper.

Foundry Dept. Charge-bill. Boiler % Dr., \$34.85; - - - Eng. & Mch. % Dr., \$17.95; - - - Total \$52.80.

Boiler Department Charge-bill. Fdry. % Dr., \$18.50; - - - Eng. & Mch. % Dr., \$246.80; - - - Total \$265.30.

Eng. & Mch. Department Charge-bill. Fdry. % Dr. \$12.26; - - - Boiler % Dr., \$33.84; - - - Total \$46.10.

Mr. Hart.—“The Superintendent hands in the pay-roll for the week for which you will issue a voucher and check, as you were instructed heretofore and make the proper entries.”

Foundry %, \$96.54; - - - Boiler %, \$83.12; - - - Eng. & Mch. %, \$109.86; - - - Total \$289.02.

The totals only, taken from the pay-roll, are given you, as the pay-roll itself was fully illustrated in a similar transaction for last week.

Mr. Hart.—“Add the amount of checks received to-day on the stub of the check-book, as I have deposited them in bank.”

## JULY 23, TRANSACTIONS.

Mr. Hart.—“Russell Mfg. Co., check for \$906.01 is received for bill of July 16, less discount. Checks have also been received from the Oilwell Con. Co. and the Southern Mfg. Co. in full of account. Issue vouchers for the following bills, paying those which offer a discount for cash.”

Harvey & Co., Cleveland, Ohio, July 18. Net 60 days. 1 Willard Die Plate, No. 2, complete, \$21.50 (E. & M. %); - - - 1 Wilson Imp. Pipe Cutter, No. 3, \$8.50 (E. & M. %); - - - 1 Ashley Wrench, No. 24, \$6.25 (Fdry., M. & I. %); - - - 2 Brown Adjustable Tongs, No. 4, \$6 (Boiler %); - - - 1 Self Feeding Drill, \$29.50 (Boiler %); - - - 1 Upright Drill, \$12.00 (Fdry., M. & I. %); - - - Total \$83.75.

Foundry Supply Co., City, July 19. Net 30 days. 1 doz. Mould Frames, per order, \$28; - - - 4 tons Moulding Sand at \$2.50, \$10 (Fdry. Op. Ex.); - - - 3 Machine Patterns, per order, \$21.50 (Patterns %); - - - 2 Loads of Charcoal at \$2.25, \$4.50 (Op. Ex.); - - - Total \$64.



## JULY 23, TRANSACTIONS CONTINUED.

Cambria Co., Johnstown, Pa., July 20.  $\frac{5}{10}$ ,  $\frac{2}{100}$ . 2 cars  $42\frac{1}{10}$  Tons Coke at \$2.10, \$89.67 (Coke  $\frac{1}{2}$ ); - - - 23 tons No. 1 Fdry. Pig Iron at \$15, \$345 (Pig Iron  $\frac{1}{2}$ ); - - -  $21\frac{1}{2}$  tons Gray Forge Pig Iron at \$13, \$279.50 (Pig Iron  $\frac{1}{2}$ ); - - - 46 sheets Open Hearth Flange Steel, assorted sizes, per order, 72,000# at 2 15¢, \$1548 (Boiler  $\frac{1}{2}$ ); - - - Total \$2262.17.

Mr. Hart.—“Make the proper entries for the following sales, which have been billed.”

Webster & Co., St. Louis, Mo. Net 30 days. 1 Semi-portable 30 h. p. Boiler and Engine, complete, \$513 (E. & M.  $\frac{1}{2}$ ); - - - 1 No. 6 Steam Pump, \$375 (E. & M.  $\frac{1}{2}$ ); - - - 1 100 h. p. Side Crank Engine, complete, \$587.50 (E. & M.  $\frac{1}{2}$ ); - - - 2 Horizontal Tubular Boilers, 125 h. p. and Fixtures, \$985 (Boiler  $\frac{1}{2}$ ); - - - 1 Double Boiler Front with Trimmings, complete, \$85 (Fdry.  $\frac{1}{2}$ ).

The Crane Co., Phila., Pa. Net 60 days. 260 Car Wheels, 5300# at 3¢ (Fdry.  $\frac{1}{2}$ ); - - - 27 Switches, 7400# at 4¢ (Fdry.  $\frac{1}{2}$ ).

Reed Bros. & Co., Atlanta, Ga. Note 30 days. 1 Side Crank Engine, 30 h. p., complete, \$265 (E. & M.  $\frac{1}{2}$ ); 1 Horizontal Boiler, 30 h. p., complete, \$213 (Boiler  $\frac{1}{2}$ ); - - - 14 pairs Machine Castings, 1146# 4¢ (Fdry.  $\frac{1}{2}$ ).

Mr. Hart.—“Charge-bills for the week show the following charges, for which you will make proper entry.”

Foundry Dept. Charge-bill. Boiler  $\frac{1}{2}$  Dr., \$112.40; - - - Eng. & Mch.  $\frac{1}{2}$  Dr., \$86.50.

Boiler Dept. Charge-bill. Foundry  $\frac{1}{2}$  Dr., \$27.13; - - - Eng. & Mch.  $\frac{1}{2}$  Dr., \$442.86.

Eng. & Mch. Dept. Charge-bill. Fdry.  $\frac{1}{2}$  Dr., \$55.60; - - - Boiler  $\frac{1}{2}$  Dr., \$12.46.

Mr. Hart.—“Prepay the freight on goods shipped to Webster & Co., St. Louis, Mo., \$83.41 and charge to their account. Write the check favor John Kane, Agent Star Union Line.”

No voucher is issued for this transaction, as the cash was not paid for any cost, material or expense account of the company, but simply as an accommodation to Webster & Co. Enter the amount of the check in the Sales Ledger Dr. column of the Cash-book and post to Webster & Co.'s account in the Sales Ledger. The freight has already been charged on Webster & Co.'s bill by the bill clerk.

Freights are sometimes required to be prepaid by the Transportation Co. on certain classes of goods, and lower rates may also be secured in certain cases.

Mr. Hart.—“The pay-roll for the week is as follows: Foundry  $\frac{1}{2}$ , \$115.35; Boiler  $\frac{1}{2}$ , \$119.80; Eng. & Mch.  $\frac{1}{2}$ , \$165.85. Issue a voucher and check for the same as heretofore instructed, also add the amount of checks received on stub of check-book, as they have been deposited.”

## JULY 31, TRANSACTIONS.

Mr. Hart.—“Received cash from Suburban Ry. Co., on account, \$150. Note of Reed Bros. & Co., Atlanta, Ga., dated July 23, at 60 days in full of account.”

Make the usual entry for the note in the Journal, placing the debit item in the “Gen'l Ledger” column, and the credit item in the “Sales Ledger” column.

Mr. Hart.—“The following bills have been received, for which you will issue vouchers. Pay the Newark Steel Co.'s voucher by draft at 3 days sight on Suburban Ry. Co., Trenton, N. J.”

Edward Miller & Co., Buffalo, N. Y., July 25, net 60 days. 9780# Boiler Rivets at  $3\frac{1}{2}$ ¢, \$342.30; - - - 950 ft.  $1\frac{1}{2}$  in. Lap Welded Boiler Tubes at 32¢, \$304, less  $62\frac{1}{2}$ %; - - - 1820 ft. 3 in. Lap Welded Boiler Tubes at 39¢, \$709.80, less 65% (Boiler  $\frac{1}{2}$ ). Total \$704.73.

Newark Steel Co., Newark, N. J., July 12, net 30 days. 2750# Fine Steel Bars at 1.5¢, \$41.25; - - - 1487# Soft Steel Bars at 1.45¢, \$21.56 (E. & M.  $\frac{1}{2}$ ). Total \$62.81.

In this set no special provision has been made for the entering of drafts drawn on a debtor in favor of a creditor, for the reason that business men, as a rule, prefer to make drafts in their own favor on debtors, and have them collected through bank, and then pay all creditors directly by voucher and check, and for the further reason that, in the voucher system, a “Voucher Payable” is issued to all creditors. However, should it be desired to pay a voucher by a draft on a debtor as illustrated in the above transaction, the transaction is disposed of by the following entry in the journal, “Vouchers Payable Dr. to Suburban Ry. Co.,” placing the debit item in the “General Ledger Dr.” column, and the credit item in the “Sales Ledger Cr.” column. Vouchers payable will then be debited in the General Ledger and Suburban Ry. Co. will be credited in the Sales Ledger.

## JULY 31, TRANSACTIONS CONTINUED.

Mr. Hart.—"Make the entries for the following sales for which bills have been made."

Marshall Bros. & Co., Philadelphia, Pa. Net 30 days. 1 Box-bed, 80 h. p. Engine and Fixtures, net \$498.55 (E. & M. %); - - - 1 Horizontal Tubular 60 h. p. Boiler and Fixtures, \$312.50. (B. %)  
 Southern Mfg. Co., Birmingham, Ala. Net 30 days. 2 Rolling Mill Reversible Engines, 250 h. p., complete, \$3845 (E. & M. %); - - - 2422# Furnace Castings at 5¢ (F. %); - - - 1 20 h. p. Tubular Boiler with Fixtures \$158 (B. %).  
 Penn Coal Co., Wilkesbarre, Pa. Net cash. 1 Compound Hoisting Engine, per contract, \$1465 (E. & M. %); - - - 12250# Castings, per contract, at 4¢ (F. %).  
 The Crane Co., Philadelphia, Pa. Net 60 days. 720 Car Wheels, 18578# at 3¢ (F. %).

Mr Hart.—"Prepay freight on goods shipped to Southern Mfg. Co., \$216.18, and also on goods shipped to Penn Coal Co., \$47.50. Make the check payable to Robt. Pitcairn, Agt."

"Issue a voucher and check, in payment of this week's pay-roll and salaries for the month as follows: Fdry. %, \$103.12; Boiler %, \$161.50; Engine and Machinery %, \$198.50; Salaries %, \$585; postage stamps and other incidental expenses, \$31.50. Write this check in my favor and I will hand the Superintendent the amount of the pay-roll.

"The Superintendent hands in Charge-bills for the week, showing the following charges between the departments."

Foundry Department Charge-bill. Boiler %, \$78.35; - - - E. & M. %, \$141.12.  
 Boiler Department Charge-bill. Foundry %, Dr., \$18.96; - - - E. & M. %, Dr., \$27.40.  
 E. & M. Department Charge-bill. Foundry %, Dr., \$21.50; - - - Boiler %, Dr., \$85.90.

Mr. Hart.—"Refer to the Voucher Register and pay all vouchers due on or before Aug. 7."

## INSTRUCTIONS FOR POSTING.

If you have followed previous instructions you have already posted each of the items to the Sales and General Ledgers, from day to day, to personal and other accounts for which there are no special columns. These instructions refer to posting the footings of the different columns from books of original entry to the Ledger at the end of the month whenever it is desired to take a Trial Balance.

**Sales-book.**—As each page is filled the columns should be footed and forwarded to the next page. You should notice particularly that the sum of the three department % columns equals the footings of the "total" column.

At the end of the month post the footing of the total column to the debit of Sales Ledger %, and the footing of the Foundry, Boiler, and the Engine & Machinery % to the credit of these accounts, in the General Ledger.

When it is preferred, a Journal entry may be made instead of posting directly from the Sales-book.

**Journal.**—Foot each column as previously instructed and prove the Journal to be in balance by adding all the debit and all the credit columns and seeing that the totals are equal, then post the footings of all except the General Ledger columns, being careful to post on the proper side of the accounts.

**Voucher Register.**—Foot the columns in pencil and ascertain whether the sum of all the "debit" columns equals the total of "Vouchers Payable" column. This proves the correctness of the distribution. The footings may be posted directly to the General Ledger accounts or a Journal entry may be made as heretofore suggested.

**Cash-book.**—Foot the different columns. These footings, however, cannot be proven in totals as with the other books. Post the footings to their proper accounts in the General Ledger, indicating the pages of the different accounts as shown in the illustration, pages 158-9.

## INSTRUCTIONS FOR TRIAL BALANCE.

Foot the accounts in the General Ledger and take a Trial Balance as usual. The accounts shown in the Sales Ledger are not included in the trial balance as that Ledger is represented by the Sales Ledger % in the General Ledger. When the trial balance is taken, see that the unpaid vouchers shown by the Voucher Register equal the difference between the two sides of the Vouchers Payable %. In the same way, when it is deemed advisable, the correctness of the Sales Ledger % can be ascertained by adding the balances shown by the accounts in the Sales Ledger. The sum of these balances should equal the balance shown by the Sales Ledger % in the General Ledger.

**Inventories.**—Those inventories below which are calculated on a percentage of increase or decrease of value from former inventories are reckoned on the basis of a month, or approximating about 1-10 of the percentage which should be calculated when the books are closed but once a year. The best judgment attainable is necessary in this class of inventories; some kinds of machinery and implements wear out very rapidly, when others may be maintained nearly as good as new. Foundry patterns, for instance, depreciate rapidly in value and frequently very costly patterns become a dead loss when the demand ceases for that particular line of castings. The knowledge necessary to judge intelligently in this matter is necessarily technical and therefore we have made no effort to more than approximate the proper percentage.

|                                                                                     |                   |
|-------------------------------------------------------------------------------------|-------------------|
| Real Estate, \$23000. Estimated appreciation $1\frac{1}{2}\%$ . . . . .             | \$23,345 00       |
| Foundry Bld. Mch. & Imp., \$6500. Estimated depreciation $1\frac{1}{2}\%$ . . . . . | 6,418 75          |
| Foundry Patterns, \$2350. Estimated depreciation $1\frac{1}{2}\%$ . . . . .         | 2,814 75          |
| Pig Iron and Scrap, amount on hand . . . . .                                        | 1,470 00          |
| Coke, amount on hand . . . . .                                                      | 475 00            |
| Foundry %, finished castings on hand . . . . .                                      | 1,220 00          |
| <b>Boiler %.</b>                                                                    |                   |
| Building and Machinery, \$2500, less 1%. . . . .                                    | \$2,475 00        |
| Boiler Plates, Castings, etc. . . . .                                               | 8,150 00          |
| Rivets, Tubing and Fixtures. . . . .                                                | 1,125 00          |
|                                                                                     | <hr/> \$6,750 00  |
| <b>Eng. &amp; Mch. %.</b>                                                           |                   |
| Building and Machinery, \$11400, less $1\frac{1}{2}\%$ . . . . .                    | \$11,257 50       |
| Finished Engines on hand . . . . .                                                  | 5,250 00          |
| Engines being constructed . . . . .                                                 | 4,585 00          |
| Castings and Fixtures . . . . .                                                     | 1,850 00          |
|                                                                                     | <hr/> \$22,942 50 |

## INSTRUCTIONS FOR BALANCE SHEET AND CLOSING THE LEDGER.

The Balance Sheet for this set differs from an ordinary balance sheet in two particulars, as follows: 1. The capital stock % is a *liability* and never receives the net gain or loss shown by the Loss & Gain % at the time of closing, the gain or loss being transferred to an account known as the "Undivided Profits %"; 2. In making out the Balance Sheet it is necessary to group the results shown by the foundry *cost and material* accounts (after the inventories have been entered) and enter the total of these results in one item on the debit side of the Foundry % in the Balance Sheet just above the figures shown by the General Foundry %.

The net loss or gain of a corporation is never closed into the Capital Stock %, nor does that account ever receive any additional entries except when the capital is increased or diminished. The Loss & Gain % either remains unclosed or is closed into the "Undivided Profits" %. When the profits are sufficient to justify the payment of a dividend (which is determined by the board of directors) a certain percentage on the capital stock is declared, to be paid from the undivided profits. When this dividend is declared the bookkeeper makes an entry debiting "Undivided Profits" % and crediting "Dividend" % for the total amount of the dividend. The Dividend % is then debited as the checks are issued to the different stockholders in payment of their share of the dividend in proportion to their holdings of stock. At this time, however, no dividend will be declared and the Loss and Gain % will simply be closed into the "Undivided Profits" % which will remain open until a dividend is declared.

## COST AND MATERIAL ACCOUNTS.

As you have been heretofore instructed, separate *Cost* and *Material* accounts, subordinate to the Foundry account, are kept. These accounts are Building Machinery & Implements, Patterns, Pig Iron and Scrap, Coke, Operating Expense, Labor and the Freight & Express accounts.

In closing the Ledger, the difference between the two sides of these accounts (after their respective inventories have been entered), are transferred to the debit side of the Foundry  $\%$ . Therefore in making out the balance sheet, the results shown by each of these accounts, after the inventories have been entered, are grouped into one item and entered in the debit column of the Balance Sheet in red ink, just above the item taken from the Foundry  $\%$ . The results of these different cost and material accounts are not extended into the "Loss" column, but may be entered in red ink in the "credits" column.

In closing the Ledger, close all the *Cost* and *Material* accounts subordinate to the Foundry  $\%$  as above indicated, before closing the Foundry  $\%$ . By comparison, this account when closed will be seen to show in detail the value of the different items which went into the production of the Foundry Department, while the other department accounts do not give this information in detail. Close the Loss & Gain  $\%$  into "Undivided Profits  $\%$ ."

When it is desired to keep cost and material accounts for each department, all that is necessary is to provide the necessary additional columns in the Voucher Register.

When the Ledger has been closed, present it with your other books and papers to the teacher for inspection.

## AUG. 8, TRANSACTIONS

Mr. Hart.—"The following bills have been received. Issue vouchers for the same; also pay any vouchers that will mature within one week from date."

Howe Mfg. Co., Cincinnati, Ohio, Aug. 4. Terms net 90 days. 10 tons Tennessee Charcoal Pig Iron No. 1 at \$15, \$150 (P. I.  $\%$ ); - - - 12150# Mch. Steel at 2¢, \$243; - - - 1550# Open Hearth Spring Steel at 2.20¢, \$34.10 (E. & M.  $\%$ ); - - - 26400# Open Hearth Flange Plates at 2¢, \$528 (B.  $\%$ ); - - - Total \$955.10.

National Machine Supply Co., Chicago, Ill., Aug. 8. Terms 60 days. Bill of Ass'd Fittings, \$465 (E. & M.  $\%$ ); - - - Bill of Ass'd Brass Valves, \$213 (B.  $\%$ ); - - - Bill of Ass'd Water Gauges, \$181.56 (B.  $\%$ ); - - - 1 Portable Forge No. 4, \$26 (F. M. & I.  $\%$ ); - - - 1 Steel Coal Barrow, \$23 (F. M. & I.  $\%$ ); - - - Total \$908.56.

Mr. Hart.—"The Superintendent hands in the following charge-bills for the week."

Foundry Department Charge-bill. Boiler  $\%$  Dr., \$264.26; - - - Eng. & Mch.  $\%$  Dr., \$342.85.

Boiler Department Charge-bill. Foundry Dr., \$17.12  $\%$ ; - - - Eng. & Mch.  $\%$  Dr., \$938.50.

Eng. & Mch. Department Charge-bill. Foundry  $\%$ , \$31.12; - - - Boiler  $\%$ , \$51.17.

Mr. Hart.—"Issue a voucher and check in payment of the pay-roll which the Superintendent reports as follows."

Foundry  $\%$  \$178.75; Boiler  $\%$ , \$228.37; - - - Eng. & Mch.  $\%$ , \$341.54.

## AUG. 17, TRANSACTIONS.

Mr. Hart.—"Issue vouchers for the following bills, taking advantage of any cash discount offered; also pay any vouchers that may be due within a few days."

The Fielding Co., Atlanta, Ga., Aug. 10. Net 30 days. 27560# Ass'd Mch. Steel, 2¢, \$551.20 (E. & M.  $\%$ ); - - - 15420# Cast Iron Frames, 1.5¢, \$231.30 (E. & M.  $\%$ ); - - - 6440# Soft Steel Bars, 1.3¢, \$83.72 (E. & M.  $\%$ ); - - - 24000# Firebox Steel 2.6¢, \$624 (Boiler  $\%$ ); - - - 7200# Shell Steel, 2.1¢, \$151.20 (Boiler  $\%$ ); - - - Total \$1641.42.

Barr & Rogers, Wilmington, Del., Aug. 12. Terms  $\frac{1}{10}$ ,  $\frac{1}{20}$ . 40# American Round Packing at 75¢, \$30 (Op. Ex.  $\%$ ); - - - 370# Asbestos Wick Packing at 8¢, \$29.60 (E. & M.  $\%$ ); - - - 400 5 ply Hose at 50¢, \$200 (In. Ex.  $\%$ ); - - - 1 No. 3 Pipe Threading Machine complete, \$420 (B.  $\%$ ); Total \$679.60.

Snyder & Long, City, Aug. 13. Net cash. For bricks and repairs on cupola, \$31.80 (Op. Ex.  $\%$ ); - - - For hauling slag, \$14.65 (Op. Ex.  $\%$ ); - - - Total \$46.45.

City Dray Co., Aug. 16. Terms cash. Freight and drayage, Foundry Dept. \$17.50; - - - Boiler Dept. \$64.12; - - - Eng. & Mch. Dept. \$39.65; - - - Total \$121.27.

## AUGUST 17, TRANSACTIONS CONTINUED.

Mr. Hart.—“The following sales have been made to date, for which you will make proper entries.”

Penn Rolling Mill Co., Phila., Pa. Net 90 days. 1 pair 80 h. p. Reversing Engines complete, \$3486 (E. & M. %); - - - 1 Horizontal Boiler, 120 h. p., per contract, \$1185 (B. %); - - - 1 20 h. p. Pumping Engine and Boiler complete, \$146 (E. & M. %).

Suburban Ry. Co., Trenton, N. J. Net 10 days. 120 Rail Brackets, 18740# at 3¢; - - - 220 Rail Flanges, 3090# at 2½¢; - - - 28 Rail Castings, 5690# at 3¢; - - - 96 Car Wheels, 1825# at 3¢ (F. %).

Adams Hdw. Co., New York. Terms ½/10, 2/30. 112 Pcs. Special Stove Castings, 1425# at 3½¢ (F. %); - - - 24, 60 Gal. Mch. Riveted Boilers at \$11.50 (Boiler %).

Mr. Hart.—“Received checks as follows: Coleman Coke Co. in full; Adams Hdw. Co. in full; Penn Coal Co. in full. Received Suburban Ry. Co's note, dated July 8, at 60 days, to balance account. 420.40 401.54 1-57.47

“The Superintendent hands in bills showing the following charges.”

Foundry Dept. Charge-bill. Boiler % Dr., \$142.80; - - - Eng. & Mch. % Dr., \$98.05.

Boiler Dept. Charge-bill. Foundry % Dr., \$39.12; - - - Eng. & Mch. Dr., \$206.45.

Eng. & Mch. Dept. Charge-bill. Foundry % Dr., \$35.54; - - - Boiler % Dr., \$64.21.

Mr. Hart.—“Issue voucher and check for the pay-roll the totals of which are as follows.”

Foundry %, \$148.95; - - - Boiler %, \$187.13; - - - Eng. & Mch. %, \$216.42; - - - Total \$552.50.

## AUG. 24, TRANSACTIONS.

Mr. Hart.—“I wish to have the two notes on hand discounted at bank. Calculate the discount and make the proper entries. I have also received Adams Hdw. Co's. check in full, less discount; Webster & Co's. check in full of account; The Crane Co's. check in full for bill of July 23, less 1%. This discount is allowed by special arrangement.”

Debit Cash for the face of notes, putting the amounts in the “Cash Dr.” column. Credit Cash for the discount, putting the amounts in the “Cash Cr.” column, and post both debit and credit items directly to the Ledger.

Mr. Hart.—“Bills have been received as follows, for which you will issue vouchers. Pay those that offer a discount, and also any vouchers that may be due that have been issued previously.”

Cambria Co., Johnstown, Pa., Aug. 18. ½/10, 2/30. 24 Sheets Open Hearth Flange Steel, 6400# at 2.15¢, \$137.60 (B. %); - - - 200 tons Connellsville Coke, \$2, \$400 (C. %); - - - 156 tons Foundry Pig Iron at \$14.50, \$2262 (P. I. %); - - - 34 1½' Boiler Tubes, 480' at 31¢, \$148.80 (B. %); - - - 84 3' Boiler Tubes, 987' at 34½¢, \$340.52 (B. %); - - - Total \$3288.92.

Mr. Hart.—“The following sales have been effected, for which you will make entries.”

Southern Mfg. Co., Birmingham, Ala. Net 60 days. 1 40 h. p. Vertical Boiler with Fixtures, \$315 (B. %); - - - 1 Horizontal Pumping Engine, No. 3, \$1856 (E. & M. %); - - - 2 Compound Condensing Vertical Pumping Engines, No. 7, \$4750 (E. & M. %).

Brooklyn Gas Co., Brooklyn, N. Y. Net 30 days. 14 Galvanized Steel Boilers, \$920 (B. %); - - - 28 Lugs, 915# at 2½¢ (F. %); - - - 146 pieces Special Castings, 18,475# at 5¢ (F. %).

The Crane Co., Philadelphia, Pa. Net 60 days. 120 Grate Bars, 23200# at 3¢ (F. %); - - - 6 Sets Grate Bearers, 1500# at 3¢ (F. %).

Mr. Hart.—“The Superintendent hands in the following charge-bills, for which you will make the proper entries.

Foundry Dept. Charge-bill. Boiler % Dr., \$124.08; - - - Eng. & Mch. % Dr., \$186.35.

Boiler Dept. Charge-bill. Foundry % Dr., \$44.16; - - - Eng. & Mch. % Dr., \$412.42.

Eng. & Mch. Dept. Charge-bill. Foundry % Dr., \$42.12; - - - Boiler % Dr., \$37.23.

Mr. Hart.—“Issue voucher and check for the pay-roll as follows: Fdry. %, \$197.83; Boiler %, \$214.60; Eng. & Mch. %, \$283.75.

## AUG. 31, TRANSACTIONS.

Mr. Hart. — "Pay any vouchers that mature on or before Sept. 10, also issue vouchers for the following bills. Ward & Sturgeon write us that they will allow a discount of 1% a month on their bill for prepayment, therefore write check for that voucher at once."

Ward & Sturgeon, Connellsville, Pa., Aug. 20, dating Nov. 1. 60 days. 145 tons Coal at 65¢, \$94.25 (Op. Ex. %); - - - 420 tons Coke at \$2.10, \$882 (Coke %); - - - 4 Special Patterns for Pit Castings, \$36 (Pat. terns %); - - - Total \$1012.25.

Nichols Bros., Pittsburgh, Pa., Aug 24, dating Oct. 1. Net 60 days. 23 tons Wrought Scrap, \$15, \$345 (P. I. %); - - - 49500# Finished Steel Sheets at 2.6¢, \$1287 (E. & M. %); - - - Total \$1632.

Mr. Hart. — "The following sales have been made, for which you will make proper entries."

Brown-Pumphrey Mfg. Co., Boston, Mass. Net 30 days. 1 Side Crank High-speed Engine and Fixtures, 75 h. p., \$556; - - - 2 pair Triple Expansion Pumping Engines, per contract, \$18,300 (E. & M. %); - - - 1 Battery of 8 Boilers, complete, \$6743 (B. %); - - - 47800# Special Castings, per contract, at 6¼¢ (F. %).

Ward & Sturgeon, Connellsville, Pa. 7800# Special Pit Castings at 5¢ (F. %); - - - 1 Upright Boiler and Engine, \$215 (E. & M. %).

Mr. Hart. — "Prepay freight on shipment to Brown-Pumphrey Mfg. Co., \$478.50.

The Superintendent hands in these charge-bills, for which you will make the proper entry."

Foundry Dept. Charge-bill. Boiler % Dr., \$248.64; - - - Eng. & Mch. Dr., \$312.20.

Boiler Dept. Charge-bill. Foundry % Dr., \$18.12; - - - Eng. & Mch., \$840.50.

Eng. & Mch. Dept. Charge-bill. Foundry % Dr., \$23.65; Boiler %, \$43.75.

Mr. Hart. — "Issue a voucher and check for the pay-roll for the week as follows: "

Foundry %, \$131.50; - - - Boiler %, \$296.50; - - - Eng. & Mch., \$314.12; - - - Salary %, \$615. Also, for Gas bill, \$37.50; - - - Telephone rent, two months, \$15; for telegrams, messenger service and postage, \$19.36; - - - Insurance on buildings, machinery, etc., \$315.75.

These different entries are frequently included in one voucher so as to avoid the necessity for writing a number of vouchers.

Mr. Hart. — "Issue a voucher to the City Dray Co. for freight and express bills to date as follows."

Fdry. %, \$73.20; - - - Boiler %, \$101.26; - - - Eng. & Mch. %, \$123.37.

Now post, take a trial balance, make out a balance sheet and close the Ledger as you were heretofore instructed. The process of closing is identically the same. Be careful to prove the correctness of the footings in the different books of the original entry before posting to the Ledger.

## INVENTORIES.

|                                                     |         |
|-----------------------------------------------------|---------|
| Real Estate, . . . . .                              | \$23395 |
| Foundry Building, Implements & Machinery, . . . . . | 6000    |
| Foundry Patterns, . . . . .                         | 1900    |
| Pig Iron and Scrap, . . . . .                       | 1290    |
| Coke, . . . . .                                     | 515     |
| Foundry %, Finished Castings, . . . . .             | 1150    |
| Boiler %                                            |         |
| Building & Machinery, . . . . .                     | \$2350  |
| Boiler Plates, Castings, etc. . . . .               | 475     |
| Rivets, Tubing & Fixtures, . . . . .                | 360     |
|                                                     | <hr/>   |
|                                                     | \$3185  |
| Eng. & Mch. %                                       |         |
| Building & Machinery, . . . . .                     | \$10500 |
| Engines being constructed, . . . . .                | 745     |
| Castings and Fixtures, . . . . .                    | 263     |
|                                                     | <hr/>   |
|                                                     | \$11508 |

Mr. Hart.—“The Board of Directors have voted to declare a dividend of 3% on the capital stock to be paid from the net profits of the Company to date. Make the proper entries on the books and issue checks in payment of the same.”

Open Dividend account and make a Journal entry, crediting that account and debiting Undivided Profits account for the amount of the dividend. Then issue a check to each stock-holder for the amount of dividend due him. Credit Cash for the amount of these checks. Place the amount in the “Cash Cr.” column and debit Dividend account.

Mr. Hart.—“The Board of Directors have decided to create a surplus fund of the undivided profits on hand; you will therefore open a Surplus % and transfer the remaining profits of the Company, as shown by the Undivided Profits %, into the Surplus %.”

You have now completed the manufacturing set. See that your papers are all properly filed and present them with your books for examination when you will proceed to prepare the proper entries for the following propositions:

### USE OF SPECIAL COLUMNS IN BOOKS OF ORIGINAL ENTRY.

As has been illustrated in the preceding sets, the use of special columns in books of original entry may be used to great advantage in shortening the work of the bookkeeper, and in securing greater accuracy and detailed information in the keeping of accounts.

While the use of special columns, as illustrated in preceding sets in this work, shows great variety (in many cases being unique and original, and now published for the first time), but a few of the many adaptations which are possible in the use of special columns have been shown. In every business and in almost every book kept, special columns may be introduced to great advantage. The business of insurance, rail-road, trust and similar companies, as well as manufacturing concerns of all kinds, where accounts are frequently subdivided, offer unusual opportunities for the introduction of special columns in all the books of account.

It is our purpose in presenting the following propositions to give such information by illustration and suggestion as will enable the bookkeeper to understand and adapt himself to the peculiarities of any set of books which he may be called upon to inspect, as well as to enable him to exercise his judgment intelligently in introducing such special columns and formulating such methods and systems of bookkeeping as will reduce his work and increase his accuracy. Beginners, especially, often find it difficult to grasp the peculiar system or methods they may find in operation when taking a position in an office. A careful examination and study of the different books will generally make the matter clear.

The following will assist in determining what special columns may be used to an advantage. In an ordinary sized business the usual books of original entry, such as the Cash-book, Sales-book, Journal, Bill-books and Ledger or their equivalent books are usually kept. In all these books special columns can be introduced to an advantage, whenever there are a great many entries for similar transactions that affect the same account.

Below are enumerated some of the different columns which may be used to advantage in books of original entry.

#### CASH-BOOK.

##### DEBIT SIDE:

“Mdse. Discount Dr.”—When numerous bills are prepaid, less discount. (See page 158).

“Bills Receivable Cr.”—When a large number of notes are received in payment of bills.

“Mdse. Cr.”—When there are numerous cash-sales of merchandise.

“Sales Ledger Credits.”—When separate Sales Ledgers are kept, and a corresponding Sales Ledger % is kept in the General Ledger.

“Branch Store Account.”—When cash is frequently received from branch stores.

“Special Department Accounts.”—In retail establishments where department accounts are kept, and there are many cash receipts to be credited to these accounts.

A special column may be used profitably whenever there are numerous cash receipts for any one general account.

## CREDIT SIDE:

"Expense Dr."—This is a very common special column in which are entered all the items chargeable to Expense.

"Mdse. Discount Cr."—When bills purchased are frequently prepaid less discount. (See page 159).

"Bills Payable Dr."—When there are frequent payments on notes or other written obligations issued.

"Purchase Ledger Debits."—This column is used when a separate Ledger is kept for accounts of those from whom we buy, and a corresponding Purchase Ledger  $\%$  is kept in the General Ledger.

"Sales Ledger Debits."—When there are frequent pre-payments of Freight or other charges on goods sold, when a special "Freight & Express" column is not used in the Sales-book.

"Special Department Accounts."—When payments are frequently made, chargeable to these accounts.

"Freight & Express."—In businesses receiving many consignments this column will save a great deal of posting.

Special columns for Interest & Discount, Collection & Exchange, Salaries and many other special accounts may be kept when there are a sufficient number of entries to justify.

## SALES-BOOK.

"Special Department Accounts."—This book can be ruled with a special column for each department of the business, receiving credits for sales of goods. (See illustration page 157).

"Freight & Express."—In businesses where freight and express charges are frequently pre-paid, a special "Frt. & Exp." column can be used to advantage in the Sales-book. When this plan is followed the amount of the freight on express pre-paid, is charged as an item on the bill, and is included in the total amount charged to the customer. It is also extended into the "Frt. & Exp." column and credited to that account at the end of the month. When Freight & Express  $\%$  is so charged, all bills so paid should be charged to Freight & Express  $\%$  in the Cash-book, which will balance entries made from the Sales-book.

"Sales Ledger  $\%$ ."—When separate Ledgers are kept, the footing of the total column is posted to the debit of the Sales Ledger  $\%$  in the General Ledger.

"Branch Store Accounts."—When goods are frequently furnished branch stores from the main store, a special column will lessen the amount of posting.

"Commission Sales."—In a commission business when it is desired to keep the sales of merchandise, belonging to consignments, separate from the regular sales, a "Com'n. Sales" column may be used.

## INVOICE BOOK.

"Special Department Accounts."—These may be used to advantage whenever department accounts are kept.

"Purchase Ledger  $\%$ ."—When a separate Ledger is kept with persons from whom we buy goods, the footing of the total column is posted to the credit side of the Purchase Ledger  $\%$  in the General Ledger.

## JOURNAL.

"Mdse. Dr.  $\%$ ."—This column should be used when the entries for bills purchased are made in the Journal. The use of this column in the Journal will make it unnecessary to keep a separate Invoice-book.

"Mdse. Cr."—In a small business the sales may be entered in the Journal. When this is done, a special column will reduce the posting to one entry a month.

"Sales Ledger Drs.," "Sales Ledger Crs.," "Purchase Ledger Drs.," "Purchase Ledger Crs.,"—These columns can be used to advantage in the Journal, when separate Ledgers are kept for accounts with those from whom we buy and to whom we sell.

"Department Accounts."—When these accounts are kept the Journal should contain a special column for each department, providing, there are a sufficient number entries to be made in the Journal to justify. (See Journal page 157).

"Bills Receivable," "Bills Payable."—Either of these columns can be kept in the Journal when many notes are received or issued. They are not needed, however, if the items are posted directly from the Bill-books.



## BILL-BOOKS.

The Bill-books may be arranged to post directly to the Ledger. Debit "Bills Rec." or credit "Bills Pay." for the total footing of the amount column for the month. Where this is done a special column should be ruled, for the opposite accounts to be debited or credited, with another column to contain the Ledger page to which the item is posted. When this is done, it is unnecessary to make entries for the notes received or issued in the Journal.

## SPECIAL BOOKS.

In different lines of business, special books may be employed to great advantage. The Accounts Sales Register in the commission set, and the Voucher Register in the manufacturing set, on pages 126 and 160, are illustrations of special books.

The Discount Register, Discount Tickler, Collection Register and Tickler, Draft Register, etc., are special books used in connection with keeping bank accounts. Many special books are also used in keeping the accounts of building and loan associations, real estate, insurance, trust and railroad companies, etc. As has been stated before, the bookkeeper must develop systems to suit the particular conditions which he has to meet in different lines of business.

With these suggestions, together with the general information, which has already been given, and which may be secured in a consideration and working out of the following propositions, the accountant should be able to devise ways and means for improving any defective system of accounts, in almost any business in which he may be engaged. Many bookkeepers could perform their present work with one-half the labor and with twice the accuracy if they were to adopt a modern and truly scientific system for keeping their accounts. In this connection the authors are aware that many proprietors and business managers are slow to see the advantage of anything new in their accounting department. They seem to think that what has been "good enough" in the past, should continue to be good enough in the future, and appear to look with suspicion on any innovation, in regard to changing their old methods. Their objections, however, can generally be overcome by a careful explanation of changes desired, based on sensible reasons. They will seldom object to the bookkeeper making such improvements as he may deem necessary, if they can see that thereby, his services will become more valuable to them, and the results shown by the books will be more accurate and reliable.

## PROPOSITION NO. 1.

A firm is engaged in a wholesale grocery business, of about \$250,000 a year. They buy from a few large firms, but sell to about 1000 customers throughout the country. They do not issue any notes, but receive a great many in settlement of accounts, which they discount at bank. They want their ledger to show at the end of each month the discount on notes received and also the discount allowed on all merchandise bought and sold, and the traveling expenses of their salesman. They also wish to have their general expenses subdivided into salaries, office expenses and incidentals. The volume of business requires a Sales-book to be continuously in the hands of the entry clerk.

As bookkeeper, what books would you use, and what special columns should be ruled in them?

Prepare on fools-cap paper models of the pages in the different books used, showing the special rulings, with a statement to be presented to the firm, so that they can secure a proper outfit.

## PROPOSITION NO. 2.

The above firm has since opened a retail department, and wish their books to show the purchases and sales for that department, as well as the general expenses of the same in the general books of the firm. The goods are sold at retail for cash only, which is turned in to the bookkeeper at the end of each day.

What special rulings, if any, could be used to advantage in the regular books of the firm, or what new books might be introduced, if any?

## PROPOSITION NO. 3.

A merchant deals in furniture, carpets and housefurnishings. He buys from a few firms, paying bills at their maturity. He sells to many customers, for cash and on credit, having about 4000 open accounts. He wishes separate department accounts kept with Furniture, Carpets and House Furnishings. He also wishes his books to show the expense of conducting each department at the end of each month, other expenses being charged to General Expense  $\%$ . Cash-sales are reported daily for each department by the cashier.

What books could be used to best advantage, and how should they be ruled.

## PROPOSITION NO. 4.

The Milligan-Hemphill Co. are retail dry goods merchants, conducting a large department store, and doing a business of about \$500,000 per annum. They wish to re-organize their accounting department. They have nine separate departments in the store, known as Hosiery, Silk, Trimmings, Underwear, Cloak, Ribbon, Glove, Millinery and Dress Goods. In addition, they keep a merchandise account for all goods not belonging to either of the foregoing department accounts. They wish to introduce the Voucher System, prepaying all bills. They sell for cash only. They wish each department to be charged with the expenses, salaries, etc. of that department in addition to the purchases and sales. They also wish their books to show each month the discounts secured on bills prepaid, and their general expense account subdivided to show the cost of salaries, rent, office and incidental expenses. They sell for cash only, and the sales are reported from each department daily.

What books should be used and how should they be ruled. Prepare specimen pages for each book containing special rulings.

## PROPOSITION NO. 5.

Milton Grace is a carriage manufacturer, who desires to improve his system of bookkeeping, using the voucher system. He wants his books to show each year the cost of all the different materials used in the manufacture of carriages, buggies, wagons, etc., although all sales are to be credited to one general account. The principal materials are lumber, hardware, paints, varnishes, leather, trimmings, iron and steel, axles, bodics and frames. He also wants to know the cost of tools, machine labor, machinery repairs, wood work labor, iron work labor, operating expense and general labor. He also wants his books to show the cost of salaries, insurance, taxes, office and general expenses. He sells to the trade, and therefore has a large number of personal accounts, extending a uniform credit of 60 days.

Prepare a statement setting forth the books that should be used, how they should be ruled, and also prepare specimen pages of all books requiring special rulings.

## PROPOSITION NO. 6.

Mitchell & Co. are general jobbing and commission merchants, dealing in grains, provisions and dairy products, buying and selling on their own account as well as selling on commission. They are also general agents for the Pearl Soap Co., marketing the entire out-put on a net commission of 8%, all discounts allowed on prepayment of bills being charged to the Soap Co. They are to credit the Soap Co. with all sales, having a uniform credit of 90 days, with monthly settlements, the soap being shipped directly from the factory. They average about 3000 open accounts on their Sales-ledger. They wish their books to show in detail the losses and gains arising from the business.

State what books should be used, how they should be ruled and what accounts showing losses and gains should be kept.

## EXERCISES FOR OPENING CORPORATION BOOKS.

The following examples are presented to give practice in making the opening entries for corporation books. It is our purpose to submit only a few general examples; however, it must be remembered that corporations vary in the manner of their formation, issuance and payment of stock, and in many other particulars, in almost every case. The bookkeeper must use his judgment when he is called upon to meet the special conditions of each proposition.

## FIRST PROPOSITION.

A. B. & C. are partners in the manufacture of agricultural implements. They propose to organize a Joint Stock Co., with a capital of \$200,000, and to subscribe for stock to an amount equal to their present resources. Three-fourths of the stock is subscribed for as follows; the remaining one-fourth is to be held by the company as Treasury stock.

|                                   |                 |
|-----------------------------------|-----------------|
| A. 200 shares at \$100, . . . . . | \$20,000        |
| B. 250 " " 100, . . . . .         | 25,000          |
| C. 175 " " 100, . . . . .         | 17,500          |
| D. 100 " " 100, . . . . .         | 10,000          |
| E. 175 " " 100, . . . . .         | 17,500          |
| F. 600 " " 100, . . . . .         | 60,000          |
|                                   | ————— \$150,000 |

By agreement the company accepts the following property at the valuation given, in payment of the subscriptions of A. B. & C. collectively. Real Estate, \$22,500; - - - Buildings & Machinery, \$32,000; - - - Good Will, \$8000. The Cash subscriptions are to be paid in two installments of 50% each.

The property having been transferred to the company, and the first installment having been paid in cash, what are the entries for opening the books? (Debit Good Will %).

## SECOND PROPOSITION.

A corporation is formed for the manufacture of an article protected by a patent, with a capital stock of \$100,000. The owner of the patent is to receive stock to the amount of \$25,000 par value for his invention. The promoter is to receive \$10,000 in paid-up stock for interesting capitalists in the company. The remainder of the stock has been subscribed and paid in full, excepting \$10,000, which is to be held by the company as treasury stock. Required the entries to open the books.

When the promoter of a company is paid for his services in stock, it is customary to open a "Bonus account." When the promoter of a company is also allowed a rebate on stock purchased for special services rendered, the account should be opened "Rebate and Bonus account." Again when former proprietors become stock holders in a new company, and are allowed a rebate on the price paid for stock, because of their ability to command trade or other valuable consideration to the company, it is customary to open a "Good Will and Bonus account."

## THIRD PROPOSITION.

A stock company was organized with a capital of \$50,000 divided into 1000 shares at \$50 each. 60% of the stock has been subscribed at \$40 per share, and 20% of the subscription, based on the par value of each share, has been received in cash. The remainder of the stock is to be held as treasury stock by the company. Required the entries to open the books.

## FOURTH PROPOSITION.

Two hundred shares of the treasury stock of the above company has been sold at \$45 per share, for which the cash has been received. Required the proper entries.

Debit Rebate account.

## FIFTH PROPOSITION.

Suppose the profits of the above corporation amount to \$20,000, and it is decided to pay a 10% dividend in treasury stock at par, and pass the remainder to a surplus fund account. What are the entries?

## SIXTH PROPOSITION.

A joint stock company has been formed for the purpose of conducting a manufacturing business. The capital stock is \$150,000, divided into 3000 shares of \$50 each. \$100,000 of this stock is preferred stock and the remaining \$50,000 common stock. 75% of the preferred stock has been subscribed at par and paid for in cash. 40% of the common stock has been subscribed at \$40 per share, on which a 20% installment has been paid. \$10,000 of the common stock has been issued to a firm of private bankers in payment for services rendered in organizing the company. \$5000 of the preferred stock has been issued in payment for the use of a patent. Required the entries to open the books.

**PREFERRED STOCK.**—In large corporations it is not unusual for the capital stock to be divided into Preferred Stock and Common Stock. Preferred stock is so named because it is entitled to a special rate of interest, or to a dividend before such is declared on common stock. Inasmuch as it generally secures surer and larger returns to the stockholder, it usually commands a higher price in the market and is especially desired by investors.

## SEVENTH PROPOSITION.

At the end of the year the net profits of the above company are \$28,000. A dividend of 7% on the preferred stock and 5% on the common stock is declared. It is also ordered that the remaining profits be transferred to a sinking fund  $\frac{1}{2}\%$ . What are the proper entries?

# ABBREVIATIONS.

@ or a.—at.  
 A1—First-class.  
 Acct. or <sup>a/c</sup>—Account.  
 Acct. Cur.—Account current.  
 Acct. Sales—Account of sales.  
 Admr.—Administrator.  
 Admx.—Administratrix.  
 Adv.—Advertisement, Adventure.  
 Agt.—Agent.  
 Ala.—Alabama.  
 Am.—American.  
 Amt.—Amount.  
 Apr.—April.  
 App.—Appendix.  
 Ariz.—Arizona.  
 Ark.—Arkansas.  
 Ass'd.—Assorted.  
 Asst.—Assistant.  
 Aug.—August.  
 Av.—Average.  
 Ave.—Avenue.  
 Bal.—Balance.  
 B. B.—Bill-book.  
 Brl. or Bbl.—Barrel.  
 Bdl.—Bundle.  
 Bgs.—Bags.  
 Bkts.—Buckets.  
 B/L—Bill of Lading.  
 Blk.—Black.  
 Bls.—Bales.  
 Bot.—Bought.  
 Brot.—Brought.  
 B/S—Bill of Sale.  
 B/P—Bill of Parcels.  
 Bu.—Bushel.  
 Bx.—Boxes.  
 c.—Cent.  
 c/o—Care of.  
 Cap.—Capital.  
 Cal.—California.  
 Cash.—Cashier.  
 C. B.—Cash-book.  
 Cks.—Checks.  
 Clk.—Clerk.  
 Chgd.—Charged.  
 Chgs.—Charges.  
 Ch.—Chest.  
 Ck.—Check.  
 Co.—Company.  
 Conn. or Ct.—Connecticut.  
 C. O. D.—Collect on delivery.  
 Cr.—Credit.  
 Com.—Commission.  
 Contr.—Contrary, Against.  
 Coml.—Commercial.  
 Consigt.—Consignment.  
 Crtg.—Cartage.  
 Cwt.—Hundred weight.  
 Dak.—Dakota.  
 D. B.—Day-book.  
 Dec.—December.  
 Del.—Delaware.  
 Dep.—Deposit.  
 Dept.—Department.  
 Dft.—Draft.  
 Disc.—Discount.  
 Div.—Dividend.  
 Do.—Ditto, or the same.  
 Dol.—Dollar.  
 Doz.—Dozen.  
 Dr.—Debtor.  
 Dray.—Drayage.  
 Ds.—Days.  
 Ea.—Each.  
 E. E.—Errors excepted, East end.  
 Eng.—England.

Ent'd.—Entered.  
 Esq.—Esquire.  
 Etc.—Et cetera, and others.  
 Exch.—Exchange.  
 Ex.—Express.  
 Exp.—Expense, Expert.  
 Exr.—Executor.  
 Exx.—Executrix.  
 E. & O. E.—Errors and omissions excepted.  
 Feb.—February.  
 Flor.—Florida.  
 Firk.—Firkín.  
 Fol.—Folio.  
 Fwd.—Forward.  
 F. O. B. or f. o. b.—Free on board.  
 Frt.—Freight.  
 Ft.—Foot or feet.  
 Ga.—Georgia.  
 Gal.—Gallon.  
 Gr.—Grain.  
 Guar.—Guarantee.  
 Hf. Ch.—Half chests.  
 Hhd.—Hogshead.  
 Hund.—Hundred.  
 I. B.—Invoice-book.  
 I. e.—That is.  
 Ill.—Illinois.  
 In.—Inches.  
 Ind.—Indiana.  
 Ind. T.—Indian Territory.  
 Ins.—Insurance.  
 Inst.—Instant (this month).  
 Int.—Interest.  
 Inv.—Invoice.  
 Invt.—Inventory.  
 J.—Journal.  
 Jan.—January.  
 Jr.—Junior.  
 Jul.—July.  
 Kans.—Kansas.  
 Kg.—Keg.  
 Ky.—Kentucky.  
 La.—Louisiana.  
 L. B.—Letter-book.  
 Lbs. or # (placed after a number)—Pounds in weight.  
 L/C—Letter of credit.  
 Led.—Ledger.  
 L. F.—Ledger folio.  
 L. & G.—Loss and Gain.  
 L. S.—Place of the seal.  
 Mar.—March.  
 Man.—Manitoba.  
 Mass.—Massachusetts.  
 Md.—Maryland.  
 Mdee.—Merchandise.  
 Me.—Maine.  
 Mem.—Memorandum.  
 Messrs.—Plural for Mister.  
 Mfg.—Manufacturing.  
 Mich.—Michigan.  
 Minn.—Minnesota.  
 Miss.—Mississippi.  
 Mo.—Missouri.  
 Mo.—Month.  
 Mont.—Montana.  
 Mon.—Monday.  
 Mr.—Mister.  
 Mrs.—Misses or Mistress.  
 MS.—Manuscript.  
 MSS.—Manuscripts.  
 Mtg.—Mortgage.  
 N. B.—Take notice.  
 N. C.—North Carolina.

N. Dak.—North Dakota.  
 Neb.—Nebraska.  
 Nev.—Nevada.  
 N. G.—Net Gain, "No Good."  
 N. F.—New Foundland.  
 N. H.—New Hampshire.  
 N. J.—New Jersey.  
 N. L.—Net loss.  
 N. M.—New Mexico Territory.  
 No. or #—Number.  
 Nov.—November.  
 N/p—Net proceeds.  
 N. P.—Notary Public.  
 N. Y.—New York.  
 O.—Ohio.  
 %—Per cent.  
 Oct.—October.  
 O. K.—All correct.  
 Ont.—Ontario.  
 Or.—Oregon.  
 Oz.—Ounces.  
 P.—Page.  
 Pa. or Penn.—Pennsylvania.  
 P.—Per.  
 Pmt.—Payment.  
 P. C. B.—Petty Cash-book.  
 Pcs.—Pieces.  
 Pd.—Paid.  
 Pk.—Peck.  
 Pkg.—Package.  
 Prem.—Premium.  
 Prox.—Next month.  
 Pr.—Pair.  
 P. S.—Postscript.  
 Pt.—Pint.  
 Qr.—Quire or quarter.  
 Qt.—Quart.  
 R. I.—Rhode Island.  
 Rec'd.—Received.  
 Rec't.—Receipt.  
 Ret'd.—Returned.  
 \$—Dollars.  
 S. B.—Sales-book.  
 Sat.—Saturday.  
 S. C.—South Carolina.  
 S. Dak.—South Dakota.  
 Sept.—September.  
 Shipt.—Shipment.  
 Sks.—Sacks.  
 Sq.—Square.  
 Sr.—Senior.  
 St.—Street.  
 St. Dft.—Sight Draft.  
 Str.—Steamer.  
 Sun.—Sunday.  
 Supt.—Superintendent.  
 Tenn.—Tennessee.  
 Tex.—Texas.  
 Tcs.—Tierces.  
 Thurs.—Thursday.  
 Tues.—Tuesday.  
 Treas.—Treasurer.  
 Ult.—Last month.  
 Va.—Virginia.  
 Viz.—Namely.  
 Vs.—Against.  
 Vol.—Volume.  
 Vt.—Vermont.  
 Wash.—Washington.  
 W. I.—West Indies.  
 Wis.—Wisconsin.  
 W. Va.—West Virginia.  
 Wyo.—Wyoming.  
 Wt.—Weight.  
 Yd.—Yard.

# AMERICAN NATIONAL BANKING.

A COMPLETE EXPOSITION OF NATIONAL BANKING

—AND OF—

NATIONAL BANK BOOKKEEPING AS IT IS PRACTICED.

Exhibited, Explained and Elucidated by the Receiving, Issuing and Passing of all the Business  
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THE DISCOUNT REGISTER,  
THE DISCOUNT TICKLER,  
THE COLLECTION REGISTER,  
THE COLLECTION TICKLER,  
THE DRAFT REGISTER,  
THE REMITTANCE REGISTER,  
THE CERTIFIED CHECK BOOK,  
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*Senior author of Sadler's Counting House and Commercial Series of Arithmetics, and associate author of "Business  
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H. M. ROWE, PH. D.,

*Expert Accountant. Author of "International Business Practice," and associate author of "Business Bookkeeping  
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1899.

SADLER-ROWE CO., BALTIMORE, MD.

## BANKING.

1. A bank is a repository of money. <sup>1</sup>The business of a bank is to deal in money and credits.

3. Banking is a necessary adjunct to modern commerce and trade. Banks are an essential part of the mechanism of business; in fact, without them it would be impossible to transact business expeditiously, or to carry on great commercial and industrial enterprises. <sup>2</sup>They constitute a great business in themselves, requiring, in their management, men possessed of extraordinary financiering ability, and employing thousands of clerks, bookkeepers, etc., in recording their transactions. <sup>3</sup>They are in close touch and sympathy with almost every business enterprise; and a knowledge of the manner in which they are conducted, as well as the systems of bookkeeping they employ, is an important part of a training for business.

## KINDS OF BANKS.

6. Banking institutions are of three general classes: National, State, and Private. <sup>1</sup>National and State banks are always incorporated; private banks are not

8. *National Banks* are organized under the National Banking Act, which is a general law passed by the Congress of the United States, prescribing the formation, powers and privileges, of banking associations organized under that Act (see Appendix). <sup>2</sup>It prescribes the manner in which the business of National banks shall be conducted, and subjects them to inspection by government bank examiners. <sup>3</sup>It also secures to them certain privileges not accorded other banks, in the way of issuing circulating notes as money, known as National Bank Notes, the redemption of which is secured by the Government, through United States bonds deposited with the Treasurer of the United States at Washington.

11. *State Banks* are organized under State laws, are usually subject to inspection by State authorities, and possess all the general functions of a National bank except that of issuing circulating notes as money. <sup>1</sup>Savings banks and trust companies come under the head of State banks, as they are incorporated under State laws.

State banks formerly issued notes which circulated as money, but the Government imposed a tax of 10 per cent. on these notes, which had the effect of causing these banks to withdraw them from circulation, inasmuch as it exceeded the profit derived by loaning this money at interest.

It is claimed that State banks possess some advantages over National banks because the Government inspection is not so critical, that returns to the State, if required at all, need not be so complete, and that money can be loaned on real estate and other securities not allowed under the National Banking Act.

13. *Private Banks* are conducted as any other private business or enterprise. <sup>1</sup>They may belong to an individual or a firm, and depend upon the individual credit of the owners. <sup>2</sup>While in some States they are subject to inspection by the State authorities, they are usually restricted in their management only by the common laws of business.

## ADVANTAGES.

16. Banks are beneficial in a two-fold sense: to the public as borrowers and lenders, and to the stockholders as a source of profit.

17. *To the Public.*—*Banks are a benefit in a community because:* 1st. They serve as a place of security for the deposit of money. 2nd. They make loans to those who need money in carrying on their business, and at a low rate of interest. 3rd. Through checks and bills of exchange they make the payment and collection of money at home or at distant points, in large or small amounts, easy and inexpensive. 4th. The checks of a depositor, when issued, furnish a convenient data from which to make the proper entries in his books, and when returned are valuable as receipts and vouchers.

18. *To the Bank.*—*Banks are conducted to secure profit.* <sup>1</sup>The sources of profit to a National bank are: 1st. The interest on the bonds deposited with the United States Treasurer to secure its circulation. 2nd. Interest received for money loaned, that is, for the use of money given to others. 3rd. Fees for making collections, issuing drafts, bills of exchange, etc.

20. *The Funds* of the bank consist of its capital stock, money on deposit, and its own circulating notes.

21. *Its Business* is to receive deposits, discount notes and other commercial paper, make collections, remittances, and exchanges.

**22. Deposits** are of two kinds: those that may be checked upon at any time by the depositor, and *time deposits*, which may be withdrawn only after the lapse of a certain period of time according to the rules of the bank, and upon which the bank usually pays interest. "Certificates of Deposit are sometimes issued for time deposits, which frequently draw interest if not paid until after a specified time.

**24. Discounts** from loans on short time notes and drafts is the principal source of profit to banks. "These papers may be those received in the usual course of business by the merchant, or they may be his own notes in favor of the bank, properly endorsed or secured by collateral.

**26. Collections** of notes and drafts are made by banks for their customers and others. "Those at home are made by the bank itself, and those abroad are made through its corresponding banks located at the place of collection. "For this service of *collection* a small fee is sometimes charged.

**29. Exchange.**—New York is the financial centre of this country. "It is the custom of banks to keep money on deposit in some bank in that city, against which they issue drafts to customers, sometimes charging therefor a small percentage called *Exchange*. "These deposits may be kept in several banks. "Such banks are known as the New York correspondents of the bank making the deposit.

Similar deposits may be kept with banks located in other cities, especially in our larger cities, such as Philadelphia, Chicago and San Francisco. Country banks frequently keep such an account with a bank in the nearest large city.

Banks located in New York, and sometimes in other cities, usually issue drafts drawn on themselves instead of on other banks. These drafts are thus practically cashier checks, and latterly it is becoming more common for such banks to issue cashier checks when parties wish to purchase *Exchange* for remittance to other cities.

**33. Organization.**—The organization of a National bank is fully defined in the National Banking Act (see Appendix). "In the organization of State banks, the corporation laws of the State in which the bank is to be located will define the method of procedure in their formation and the manner in which they shall be conducted.

Teachers are advised to secure copies of the "National Bank Act" and "Instructions and Suggestions of the Comptroller of the Currency, Relative to the Organization of National Banks," to be used in connection with teaching banking. These books may be secured by addressing the Comptroller of the Currency, as follows: "Comptroller of the Currency, Washington, D. C." They will be found to contain much valuable information, both for the teacher and for the student, and copies will be furnished by the Comptroller upon application, if the request is accompanied by a statement of the purpose for which they are to be used.

**35. Board of Directors.**—This body is elected by, and represents, the stockholders, and is vested with the management, direction and administration of all the affairs of the bank, through its officers. "It passes upon all paper presented for discount, authorizes all loans, appoints the officers and clerks, fixes their salaries, and is the supreme authority in the bank.

**37. Officers.**—The officers of a bank representing the Board of Directors are usually a President, Vice-President, and Cashier; and, in addition, there are as many clerks employed as are necessary to conduct and record the business of the bank.

**38. The President** is the official head of the bank, is elected by the Board of Directors, and exercises its authority while it is not in session. "During his absence, the Vice-President takes his place, or such other person as may be designated by the Board.

**40. The Cashier** is the chief executive officer of the bank, and upon him mostly devolves the internal management of the bank. He records the proceedings of the Board of Directors, signs all drafts on other banks, and also all notes and drafts sent to other banks for collection. He also certifies checks, and supervises the general routine affairs of the bank. "In large banks he frequently delegates parts of his duties to the Teller and other subordinates.

42. In addition to these officers, the business of banks requires the services of tellers, discount, collection, and exchange clerks, general and individual bookkeepers, etc. "The Paying Teller ranks next to the Cashier, and is the disbursing officer of the bank. "The Receiving Teller receives all deposits and other funds coming into the bank, and at the close of business, turns over all money received to the Paying Teller. "The duties of both Tellers may be performed by one person.

46. When it is necessary to employ a number of clerks and bookkeepers, their duties are subdivided; for instance, when two or more bookkeepers are required, one has charge of the general books and the other of the individual ledger. Frequently three or four bookkeepers are employed on the individual ledgers alone. It is impossible to explain the subdivisions into which the work may be divided, as that matter is controlled entirely by circumstances, volume of business, etc.

Monday, Sept. 1

Saturday, Sept. 6.

| NAMES OF DEPOSITORS.               | Bal. bro't for'd.                                                      | Chq. House Checks. | Counter Checks.  | Total Checks. | Deposits.                          | Balance.                                   | Chq. House Checks. | Counter Checks. | Total Checks. | Deposits.                                                  | Balance. |
|------------------------------------|------------------------------------------------------------------------|--------------------|------------------|---------------|------------------------------------|--------------------------------------------|--------------------|-----------------|---------------|------------------------------------------------------------|----------|
| <i>Amstrong &amp; Co.</i>          | Bal. Dep. 2732.95<br>Chq. Bal. for'd. 266.50                           |                    | 71.50            | 71.50         | 2158.43<br>574.52                  | 266.14<br>88.75<br>77.19<br>77.57          |                    | 738<br>138      | 918           | 2654.01<br>199.75<br>2436.07<br>453.85<br>2112.7<br>266.50 | 7957.19  |
| <i>Buck &amp; Rogers &amp; Co.</i> | Bal. Dep. 11966.83<br>Chq. Bal. for'd. 428.50<br>Bal. for'd. 10938.33  |                    | 428.50           | 428.50        | 1500<br>9866.83                    | 10938.33<br>275.93<br>16.50<br>18788.33    |                    | 1600            | 1650          | 9500                                                       | 18788.33 |
| <i>Cashier's ac.</i>               | Bal. Dep.<br>Chq. Bal. for'd.                                          |                    |                  |               |                                    | 2549.67<br>2448.67                         |                    | 2449.67         | 2449.67       | 1000<br>2449.67                                            | 1000     |
| <i>Verified Checks</i>             | Bal. Dep.<br>Chq. Bal. for'd.                                          |                    |                  |               |                                    |                                            |                    |                 |               | 2785                                                       | 2785     |
| <i>Certificates of Dep.</i>        | Bal. Dep.<br>Chq. Bal. for'd.                                          |                    |                  |               |                                    |                                            |                    |                 |               | 2000<br>825<br>1000                                        | 3825     |
| <i>Grayson &amp; M. Co.</i>        | Bal. Dep.<br>Chq. Bal. for'd.                                          |                    |                  |               | 5000<br>46.61<br>6838.58<br>449.17 | 12799.36<br>1747.64<br>3052.60<br>18835.60 |                    | 2150<br>9500    | 11795.60      | 15208.21<br>2563.49                                        | 18895.10 |
| <i>Grace, M. Co.</i>               | Bal. Dep. 13258.60<br>Chq. Bal. for'd. 11958.90                        |                    | 1143.90          | 1357.90       | 7036.69<br>622.19                  | 11900.70<br>1575.24<br>1762.62<br>16327.72 |                    | 1439.42         | 1448.72       | 5775.74                                                    | 16227.72 |
| <i>Merchant's Supply Co.</i>       | Bal. Dep. 3974.65<br>Chq. Bal. for'd. 255.20<br>Bal. for'd. 2619.65    |                    | 338.63<br>121.25 | 755.20        | 3374.85                            | 2619.65<br>517.06<br>2702.59               |                    | 425             | 517.06        |                                                            | 2102.59  |
| <i>Forwarded or Proof</i>          | Bal. Dep. 98100.91<br>Chq. Bal. for'd. 4607.26<br>Bal. for'd. 93493.75 |                    | 4607.26          | 4607.26       | 98100.91                           | 93493.75<br>1875.44<br>15132.81            |                    | 9602.75         | 71498.64      | 42834.74                                                   | 50342.81 |





CASH BOOK.

| Receipts |      |                       |                       |            |            |
|----------|------|-----------------------|-----------------------|------------|------------|
| Date     | L.F. | Accounts.             | Explanation.          | Items.     | Totals.    |
| Sept 1   |      | Capital Stock.        | Per Subscription List | 300 000    |            |
|          |      | Circulation.          | Natl Bank Notes       | 90 000     |            |
|          |      | Deposits.             | L.L.                  | 98 100 97  |            |
|          |      | Discount.             | R.R.                  | 313 58     |            |
|          |      | Collection & Exchange | .                     | 3 06       |            |
|          |      | Manhattan Natl Bk     | .                     | 2 451 68   | 490 869 29 |
|          |      |                       |                       | 490 869 29 |            |
|          |      | Balance               |                       |            | 172 718    |

following are the books of account generally used: The Cash-book (or Cash-journal), General Ledger, Individual (or Depositors') Ledger, Discount Register, Discount Tickler, Collection Register, Collection Tickler, Passed Collection Register, New York (and sometimes Chicago, San Francisco, or other) Draft and Remittance Registers, Certified Check-book, Teller's Book (or Cash Balance), Daily Statement Book, and, in some banks where the old style of Individual Ledger is kept, the Paying and Receiving Tellers' Journals (or Cash-books) are added.

49. The books herein described are those usually kept by city banks doing an average business. It must be remembered that a number of these books may be, and frequently are, sub-divided, so that a greater number of clerks can be engaged upon them at one time, as indicated in the descriptions of the different books.

50. *Cash Book*.—All banking business consists of *cash transactions*; that is, cash is either debited or credited in each transaction, therefore, the Cash-book shows the receipts of cash on the debit side in totals, and the payments of cash on the credit side in totals, as taken from the different books of original entry. "Any transaction that does not appropriately belong to any of the special books, is recorded directly in the Cash-book. "In a very small bank, all transactions could be recorded directly in the Cash-book, without entering them in special books. "The difference between the two sides of the Cash-book must at any time show the balance of cash on hand.

54. A cash account may be kept in the General Ledger, in which case the total footings of the debit and credit sides of the Cash-book should be posted daily, weekly, or monthly.

55. The Cash-book may be discarded entirely when some of the later forms of the Ledger are used. In fact, in many of our largest banks, the Teller's Book is the only book showing the balance of cash on hand. When the General Cash-book is not used, it is necessary to take a trial balance daily, when the difference shown between the totals of the debits and credits in the General Ledger must equal the balance of cash on hand as shown by the Teller's Cash-book.

56. *The General Ledger*.—This Ledger does not differ from any ordinary ledger, although any special style of ruling that is desired may be used. It contains all the accounts of the bank, outside of those of individual depositors, and receives all its entries from the Cash-book.

57. The "Deposits" account in the General Ledger shows the total receipts and payments for, and the balance due, depositors. See form of General Ledger, page 187.

58. *Individual Ledger*.—This Ledger contains all the accounts with depositors. "There are two leading forms of this Ledger in use: one, which combines the use of the Receiving and Paying Tellers' Cash-books, Balance Book, and the Individual Ledger, in the one book, and into which entries are made directly from the deposit slips and checks of the customers, and also from the "Proceeds" column of the Discount Register, either directly or from deposit slips for same.



Discount

| When Dis. | No. | Payer.                    | Drawer or Endorser    | Where Payable.         | To Whom Sent. |
|-----------|-----|---------------------------|-----------------------|------------------------|---------------|
| Sept.     | 1   | John P. Dickey & Drug Co. | J. A. Amstbaugh & Co. | Fourth National        | Penn National |
|           | 2   | A. E. Buehler & Son       | The First Nat. Bank   | Our Bank               |               |
|           | 3   | Everhardt & Rich          | The Lehigh Valley     |                        |               |
|           | 4   | The Ohio Central Nat. Co. | H. M. Wayson & Co.    | Mei Nat. Pittsburg Pa. |               |
|           | 5   | Frank L. Donaldson        | Bonner & Co.          | Iron City Nat.         |               |
|           | 6   | Anthony & Oak Co.         | Nat. Fed. & Mich.     | Lake Nat. Minneapolis  |               |
|           | 7   | J. A. Amstbaugh & Co.     | H. M. Wayson & Co.    | Our Bank               |               |

63. **Discount Register.**—This book is illustrated above. In it are entered all notes and drafts discounted by the bank. "The papers should be numbered on the margin in their consecutive order. "Notes bearing interest are entered for their *amount*; that is, the face of the note plus the interest, as this represents the *maturity value* of the note and it is upon the *amount* that the discount is calculated. "The total of the "Amount" column shows the notes or drafts discounted, and is entered to the debit of "Bills Discounted" on the *credit* side of the Cash-book. "The footing of the "Discount" column is entered on the debit side of the Cash-book, crediting "Discounts" account, and "the "Proceeds" is carried either to the credit of the party "For whom discounted" in the Individual Ledger, or "when paid in cash, is carried to the credit side of the "Cashier" account in the Individual Ledger when a Cashier's check is issued, or "they may be carried to the credit of the party in the "Transient" account in the Individual Ledger, when the party must draw his own check to secure the money.

When a transient account is kept, the date, name of the party, and the amount, are written on a line on the credit side of the account, and when the amount is paid, it is entered on the same line on the opposite side of the account.

When the form of the Individual Ledger, illustrated on page 186, is used, it is necessary to have a few pages ruled after the style of the ordinary Ledger in the back of the book for transient accounts.

71. In carrying the proceeds to the Individual Ledger, a deposit slip may be made out when the paper is discounted and entered like an ordinary deposit slip, or the proceeds may be posted directly from the Discount Register to the Individual Ledger. "When a Receiving Teller's Book is kept, either the items or the total of the "Proceeds" column must be entered in that book, in order to have the proper credit in the "Deposits" account in the General Ledger. When the items are entered, they may be posted from this book instead of from the Discount Register.

73. When the proceeds are paid in cash, the usual custom is to issue a Cashier check. "When a Cashier check is paid, it is charged against the credit to the Cashier account for the proceeds of the note, which came from the Discount Register.

75. **Discount Tickler.**—This is the companion book of the Discount Register, and shows the other side of the "Bills Discounted" account. "In it are entered from the Discount Register all the notes and drafts discounted by the bank, *under the dates on which they fall due*. The form of the book is shown on page 192. "The total of the "Amount Paid" column is posted to the credit of "Bills Discounted" on the *debit* side of the Cash-book, or "as each note is paid, it may be entered

Collection

| Date. | Over No. | Hour No. | Payer.               | Endorser.             | Where Payable.       | To Whom Sent.                                      |
|-------|----------|----------|----------------------|-----------------------|----------------------|----------------------------------------------------|
| Sept. | 1        | 39       | Joseph & Schurz      | A. K. Rivers          | 309 Wabash St. City  | Manhattan Natl.<br>Penn National<br>First National |
|       | 2        | 42       | B. C. Peterson & Co. | The Bountiful Co.     | New York             |                                                    |
|       | 3        | -        | Archer & Floyd       | John Straight         | Pittsburg            |                                                    |
|       | 4        | 411      | Clark & Mitchell     | Seymour & Co.         | St. Louis            |                                                    |
|       | 5        | 212      | Walton Price & Co.   | T. Belding Bros. Co.  | Third Nat. St. Louis |                                                    |
|       | 6        | 119      | Charters & Co.       | Charters & Co.        | Our Bank             |                                                    |
|       | 7        | -        | E. A. Kinsey & Co.   | H. B. Dean & Co.      | Cincinnati, O.       |                                                    |
|       | 8        | 347      | Magill & Co.         | H. M. Wayson & Co.    | Chom Nat. N. Y.      |                                                    |
|       | 9        | 14       | Hooper & Gray        | H. M. Wayson          | 960 Adams St.        |                                                    |
|       | 10       | 59       | T. Blasi & Co.       | R. H. Charles         | Our Bank             |                                                    |
|       | 11       | 85       | Hannum & Bates       | J. A. Amstbaugh & Co. | St. Louis, Mo.       |                                                    |

## Register.

| Date.   | Time. | When Due. | D's Dist. | T. Ch. | Face of Paper. | Disct. | Proceeds. | For Whom Disct'd.     | Pck. | Remarks.     |
|---------|-------|-----------|-----------|--------|----------------|--------|-----------|-----------------------|------|--------------|
| June 8  | 90ds  | Sept. 6   | 5         | ✓      | 575            | 48     | 574 52    | J. Adamsbaugh & Co.   | ✓    | Pd Sept. 6.  |
| Aug. 7  | 30.   | " 6       | 5         | ✓      | 462            | 39     | 461 61    | H. M. Grayson & Co.   | ✓    | Pd Sept. 11. |
| 12      | 30.   | " 11      | 10        | ✓      | 6850           | 1142   | 6838 58   | "                     | ✓    | Pd "         |
| July 13 | 60.   | " 11      | 10        | ✓      | 500            | 53     | 499 17    | Milpice & Co.         | ✓    | Pd "         |
| Aug. 17 | 30.   | " 16      | 15        | ✓      | 6237 50        | 1559   | 6221 91   | Nall, Faby & Michels. | ✓    |              |
| Sept. 1 | 90.   | Nov. 30   | 90        |        | 12346 35       | 18520  | 12161 15  | Beck & Briggs & Co.   | ✓    |              |
| " 1     | 60.   | Oct. 31   | 60        |        | 9966 50        | 9967   | 9866 83   | "                     | ✓    |              |
|         |       |           |           |        | 36937 35       | 513 58 | 36623 77  |                       |      |              |

directly into the Cash-book, or the items may be entered in a separate book kept for that purpose, and the total transferred to the Cash-book. "Out of town paper, which is not reported paid on the day on which it is due, is generally charged on that day to the bank to which it was sent, though it may be entered in the Passed Collection Register and no entry made until a report is received.

81. The notes and drafts discounted are frequently separated as they are transferred from the Discount Register to the Tickler. "Those payable at home are entered on one side of the Tickler, and those payable abroad are entered on the opposite page. "This is done because while those payable abroad may have been collected on the day on which they were due, they may not be entered until the report is received from the bank making the collection. "As each note is paid, it should be marked "Paid and Entered" (or P & E), in the "Remarks" column in the Discount Register, as well as in the Tickler.

85. The Discount Tickler and the Collection Tickler, which will be described later, may both be combined in one book, or, as in many banks, their use may be dispensed with entirely, in which case the records contained in the Discount and Collection Registers are depended upon for information as to maturity, place of collection, etc., of the different notes and drafts.

86. It is the custom in many banks to file all paper discounted, in books with pockets for each day of the month, having a separate book for each month. "In this way, all notes falling due on a certain day are placed together and may be properly taken care of on or immediately before the day on which they are to be paid. "This arrangement largely takes the place of the Discount Tickler. "Similar books may also be kept for paper that is left for collection.

90. **Collection Register.**—In this book is entered a detailed description of all the notes, drafts, and other commercial paper left at the bank for collection, numbered in their consecutive order. It is illustrated below. "No entry is made from this book (excepting to the Tickler) until the paper left for collection is paid, when the proceeds are carried to the credit of the party for whom the collection was made, if a depositor, or if not, the proceeds are paid in cash. "To credit the depositor, it is customary to make out a deposit slip, which is treated the same as any other deposit, or "the proceeds may be transferred directly from the Collection Register or the Collection Tickler, depending upon the forms of those books and custom of the bank, or "the proceeds and collection charges may be entered in a special book, generally called a Passed Collection Book, as each note or draft is paid, and from which is transferred the credit to the depositor. "When paid in cash, a cashier check is issued, which the party endorses and secures his money, or he may be credited in a transient

## Register.

| Date.   | Time. | When Due. | For Whom Collected.    | Face.   | Check | Remarks.      |
|---------|-------|-----------|------------------------|---------|-------|---------------|
| June 8  | 90ds  | Sept. 6   | A. H. Rivers.          | 150     | ✓     | Paid Sept. 6. |
| May 6   | 4 mo  | " 6       | Johnston & Davis.      | 6341 50 | ✓     | Paid Sept. 6. |
| Sept. 1 | 30ds  | " 6       | J. A. Adamsbaugh & Co. | 200     | ✓     | Paid Sept. 6. |
| Aug. 12 | 30ds  | " 11      | C. M. Russell & Co.    | 225     | ✓     |               |
| 12      | 30ds  | " 11      | Merchants Supply Co.   | 139 60  | ✓     |               |
| May 11  | 4 mo  | " 11      | A. H. Rivers.          | 212     | ✓     |               |
| July 18 | 60ds  | " 16      | L. B. Dean & Co.       | 450     | ✓     |               |
| 18      | 60ds  | " 16      | H. M. Grayson & Co.    | 772 45  | ✓     |               |
| June 23 | 90ds  | " 21      | L. M. Page.            | 1500    | ✓     |               |
| May 11  | 4 mo  | " 11      | L. B. Dean & Co.       | 7500    | ✓     |               |
| Aug. 30 | 30ds  | " 6       | J. A. Adamsbaugh & Co. | 266 75  | ✓     |               |

REMITTANCE AND DRAFT REGISTER.

Manhattan National Bank, New York.

| Date.   | What.           | No.   | Payer.                            | Place. | Drawer or Endorser.                | Place. | Items.  | Totals.    |
|---------|-----------------|-------|-----------------------------------|--------|------------------------------------|--------|---------|------------|
| Sept. 1 | Lawing<br>chks. | 7876  | Remitted by Express               |        | for credit                         |        |         | ✓ 75000    |
|         |                 | 192   | Bank of New York                  |        | McGrace & Co.                      |        | 932 81  |            |
|         |                 | 928   | Acct. H. T. S. D. Co.             |        |                                    |        | 68 42   |            |
|         |                 | 25307 | Natl. Marine Baltimore Md.        |        | Chas. Griffiths Sons               |        | 327 37  |            |
|         | Dft.            | 2316  | Natl. City                        |        | Lat. Bk. B. Co. Chattanooga Tenn.  |        | 243 75  |            |
|         | chks.           | 4316  | American Exp. Natl.               |        | First Natl. Maquoketa, Ia.         |        | 7 50    |            |
|         |                 | 4316  | Acct. H. T. S. D. Co.             |        | H. McGrath & Co.                   |        | 2053 95 |            |
|         | Dft.            | 432   | Chase Natl.                       |        | Polk & Bk. Chief River Falls Minn. |        | 53 75   |            |
|         | chks.           | 1111  | Manhattan Co.                     |        | Sibley Lindsey & Kerr              |        | 2347 72 |            |
|         | Dft.            | 416   | Chemical Natl.                    |        | First Natl. Hastings Neb.          |        | 412 67  |            |
|         |                 | 712   | Imp. & Traders Natl.              |        | First Natl. Ann Arbor Mich.        |        | 4728 25 |            |
|         | chks.           | 2735  | Security Tr. & S. Co. Camden N.J. |        | Lat. Pass. Ry. Co.                 |        | 7321 39 | ✓ 19240 08 |
| 6       | chks.           | 2     | B. Co. Peterson & Co.             |        | Bourner Fuller Co.                 |        | 6341 50 |            |
|         | chks.           | 93    | Merchants Natl.                   |        | Chas. H. McKing Washington D.C.    |        | 84 28   |            |

This arrangement shows the Remittance and Draft Register combined.

Penn National Bank, Pittsburg.

| Date.   | What. | No.  | Payer.                | Place. | Drawer or Endorser.     | Place. | Items. | Totals. |
|---------|-------|------|-----------------------|--------|-------------------------|--------|--------|---------|
| Sept. 1 | chks. | 5460 | Farmers Dep. Natl.    |        | Chas. E. Pfeiffer & Co. |        | 1150   | ✓ 1150  |
|         | chks. | 3    | Archer & Floyd        |        | John Streight           |        | 200    |         |
|         | chks. | 732  | Monongahela Natl.     |        | H. J. Henry & Co.       |        | 739 56 |         |
|         |       | 215  | Guard L. S. A. Phila. |        | Andrew J. Baird Sons    |        | 21 50  |         |

This is a form of the Remittance Register for General Accounts.

account. \*The money is obtained in either case as explained in the description of the Discount Register.

97. The collection charges deducted when the collection is made are entered in a special column in the Teller's Book from the deposit slip, or when a Passed Collection Book receives the record of all collections for the day, a special column for collection charges may be kept in that book.

98. **Collection Tickler.**—This is the companion book to the Collection Register, and, when kept as a separate book, receives its entries therefrom. \*In it the notes and drafts left for collection are entered under the date on which they fall due.

100. The Collection Register and Tickler are sometimes combined in one book, in which the notes, when received, are entered under the dates on which they fall due, instead of under the dates on which they are received. 101The Collection Tickler may be sub-divided for foreign and domestic collections the same as the Discount Tickler. 102The Collection Tickler may also contain a special column for "Collection and Exchange."

103. **A Passed Collection Book** is sometimes kept, in which is entered a record of all notes, drafts, etc., as they are collected, or as they are reported from the banks which made the collections. 104The proceeds of the different collections may be carried to the credit of depositors directly from this book, or by deposit slips, or paid by Cashier checks, as described and explained in

Discount Tickler, Sept. 6.

| No. | Payer.                   | Drawer or Endorser.   | Where Payable.  | To Whom Sent. | Am't. | OK | Remarks. |
|-----|--------------------------|-----------------------|-----------------|---------------|-------|----|----------|
| 1   | John R. Pickens Drug Co. | J. A. Amshaugh & Co.  | Fourth National |               | 575   |    | ✓ Paid   |
| 2   | E. M. Burkhardt & Son    | The Auld & Wilson Co. | Our Bank        |               | 462   |    | ✓ Paid   |
|     |                          |                       |                 | C.B. H.       | 1027  |    |          |

*American National Bank, Chicago.*

| Date.   | What. | No. | On Whom, or Payer. | In Favor of, or Drawee or Endorser. | Cash | Items.   | Totals. |
|---------|-------|-----|--------------------|-------------------------------------|------|----------|---------|
| Sept. 1 | Dft.  | 1   | Manhattan Natl     | Natl. Safety Machine Co.            | 81   | 645 85   |         |
|         | "     | 2   | "                  | Hamilton & Co.                      | 167  | 1333 33  |         |
|         | "     | 3   | "                  | Coleman & Rogers                    |      | 12 58    |         |
|         | "     | 4   | "                  | John M. Schickly                    | 58   | 460      |         |
|         | "     |     | "                  |                                     | 366  |          | 2451 68 |
| 6       | "     | 5   | "                  | Ira Willis                          |      | 24491 67 |         |
|         | "     | 6   | "                  | Hamilton & Co.                      |      | 732 40   |         |
|         | "     | 7   | "                  | "                                   |      | 312 20   |         |
|         | "     | 8   | "                  | "                                   |      | 1342 50  |         |
|         | "     | 9   | "                  | "                                   |      | 416 85   |         |
|         | "     | 10  | "                  | "                                   |      | 500      |         |
|         | "     | 11  | "                  | "                                   |      | 200      |         |
|         | "     | 12  | "                  | Fisher Hyde & Co.                   |      | 330      |         |
|         | "     | 13  | "                  | Everett Hale & Co.                  |      | 1736 15  |         |

*American National Bank, Chicago.*

| Date.   | What.    | No.   | Payer, Place.         | Drawee, or Endorser, Place. | Items.   | Totals.   |
|---------|----------|-------|-----------------------|-----------------------------|----------|-----------|
| Sept. 6 | Rem Sept | 5     | L. B. Dean & Co.      | Bassman Trueman Co.         | 9466 63  |           |
|         |          | 12346 | Union Natl. Chicago.  | Harbert Knapp & Co. Bank.   | 10543 92 |           |
|         | Colt 15  | 3456  | Lovv Bros.            | W. W. Lawrence & Co.        | 844 50   | 200 95 05 |
| 11      | Rem Sept | 416   | Bank of Oakfield Ind. | Benjamin Caldwell Jr.       | 148 55   |           |

paragraphs 67, 68, 69, 70, and 72. <sup>106</sup>The footing of the "Collection" column is transferred to the debit side of the Cash-book crediting "Collections" account. <sup>108</sup>All paper entered in this book should be marked "Paid and Entered" or (P & E), in whatever books it was previously entered.

**107. Draft Register.**—In this book are entered all drafts drawn on our correspondent banks, a separate book or number of pages being set apart for each bank. <sup>108</sup>It may be combined with the Remittance Register, hereinafter described, if so desired, as illustrated in the account with the Manhattan National Bank above. <sup>109</sup>The total of the "Amount" column is entered to the credit of the bank on which the drafts are drawn, on the debit side of the Cash-book, and the footing of the "Exchange" column is entered on the same side of the Cash-book to the credit of Exchange. <sup>110</sup>The drafts should be numbered consecutively, as it will greatly simplify the checking of accounts.

**111. Remittance Register.**—In this book is entered a description of all checks, drafts,

*Collection Ticket, Sept. 6.*

| Our No. | Dr. No. | Payer.                | Drawer-Endorser.      | Where Payable, To Whom Sent. | For Whom Collected.   | Am't.   | Ck. R. |
|---------|---------|-----------------------|-----------------------|------------------------------|-----------------------|---------|--------|
| 1       | 39      | Joseph & Schuur.      | A. H. Rivers.         | 309 Wabash Ave.              | A. H. Rivers.         | 150     | ✓ Pd.  |
| 2       | 42      | J. B. Peterson & Co.  | The Brunswick Co.     | New York                     | Johnston & Davis.     | 6341 50 | ✓ Pd.  |
| 3       | -       | Archer & Floyd        | John Straight.        | Manhattan Natl.              | J. A. Ambsbaugh & Co. | 200     | ✓ Pd.  |
| 11      | 85      | Hannum & Bates        | J. A. Ambsbaugh & Co. | Pittsburg                    | "                     | 266 75  | ✓ Pd.  |
| 12      | 62      | Duncan & Co.          | "                     | First National.              | "                     | 345 37  | ✓ Pd.  |
| 15      | 345     | Lovv Bros.            | W. W. Lawrence & Co.  | First National.              | First National.       | 844 50  | ✓ Pd.  |
| 19      | 200     | Patterson & Hamilton  | Oliver Oil Co.        | Our Bank.                    | First National.       | 70      | ✓ Pd.  |
| 21      | 40      | L. M. Russell & Co.   | Carlin & Jones.       | Our Bank.                    | Merchile Baltimore    | 736 30  | ✓ Pd.  |
| 22      | 40      | J. A. Ambsbaugh & Co. | Addison & Taylor      | Our Bank.                    | First Natl. St. Louis | 130     | ✓ Pd.  |

# Teller's Book

| Date.   | Accounts             | Explanation  | Col. Ex. | Receipts   | Payments.  |
|---------|----------------------|--------------|----------|------------|------------|
| Sept. 1 | Balance              | per L.C.B. 1 |          | 156 005 25 |            |
|         | J.A.A. & Co.         |              |          | 1 000      |            |
|         | T.B. & Co.           |              |          | 1 500      |            |
|         | J.H. & Co.           |              |          | 1 000      |            |
|         | M.L. & Co.           |              |          | 550        |            |
|         | J. & D.              |              |          | 500        |            |
|         | M. S. & Co.          |              |          | 210        |            |
|         | C.M. & Co.           |              |          | 200        |            |
|         | Balance              |              |          |            | 160 965 25 |
|         |                      |              |          | 160 965 25 | 160 965 25 |
| Sept. 6 | N. M. & Co.          |              |          | 500        |            |
|         | M. S. & Co.          |              |          | 300        |            |
|         | J. M. & Co.          |              |          | 2 000      |            |
|         | J.A.A. & Co.         |              |          | 100        |            |
|         | Clearing House       | Statement    |          | 2 150      |            |
|         | J. & Co.             |              |          |            | 260        |
|         | T.B. & Co.           |              |          |            | 50         |
|         | N. F. & M. & Co.     |              |          |            | 1 100      |
|         | M. & Co.             |              |          |            | 100        |
|         | Castle Wagner        | N.Y. City    |          | 1 001 25   |            |
|         | Bessie Hood          | C of D.      |          | 2 000      |            |
|         | J. & D.              | Collection   | 7 93     |            |            |
|         | J.A.A. & Co.         |              | 25       |            |            |
|         | A. & R.              |              | 19       |            |            |
|         | J.D. & Co.           | Demand Loan  |          |            | 22 500     |
|         | M. & Co.             |              |          |            | 25 000     |
|         | L.W. & Co.'s bill    |              |          |            | 51 25      |
|         | Sundry Expenses      |              |          |            | 49 59 25   |
|         | Balance brought down |              |          | 160 965 25 |            |
|         | Balance              |              |          |            | 119 905 25 |
|         |                      |              | 18 97    | 169 016 50 | 169 016 50 |

or other commercial paper that is remitted to other banks for our credit, or received from other banks for their credit. <sup>112</sup>Each bank may have a separate Register, or separate portions of one Register may be set apart. This book is illustrated on pages 192-3.

The combined Draft and Remittance Register is illustrated on pages 192-3.

**113. Certified Check Book.**—In this book are entered all checks of depositors which have been certified by the bank. <sup>114</sup>Each item is charged to the party's account in the Individual Ledger, and <sup>115</sup>the total is entered to the credit of "Certified Checks" account in the Individual Ledger, and <sup>116</sup>when these checks are paid, they are charged against the "Certified Checks" account, and not against the account of the party who drew them. See illustration, page 196.

**117. Teller's Book.**—This is the book in which he enters all actual cash received and paid (not checks and other cash items), and by which he proves the balance of cash on hand each day. It is illustrated above. <sup>118</sup>It shows the amount of the actual working cash of the bank. <sup>119</sup>The reserve funds of the bank are generally locked up in the vault and a "vault cash" slip carried to represent that amount. <sup>120</sup>When there are two Tellers, two books are kept, one by the Receiving Teller and the other by the Paying Teller. <sup>121</sup>The Receiving Teller charges the Paying Teller for all cash turned over to him, so that the Paying Teller's book alone will show the balance of cash on hand at the close of the day's business.



**122. Bank Pass Book.**—This is a little book given to each depositor at the time he opens his account with the bank. <sup>122</sup>It is taken to the bank with each deposit, which is entered on the left hand side. <sup>124</sup>This is really the only receipt depositors have for the money deposited, consequently this book should be very carefully guarded. The entry is made by whoever receives the deposit.

<sup>125</sup> This book should be left at the bank at least once a month to be "written up" by the bank, that is, all of the depositor's checks paid by the bank are entered on the opposite, or right hand, side. <sup>126</sup>When the Pass Book is balanced, it is returned to the depositor with the cancelled checks. <sup>127</sup>The balance shown by this book may not agree with the balance shown on the stub of the check book kept by the depositor, as all the checks issued by the depositor may not have been presented for payment at the bank. <sup>128</sup>These checks may be discovered by checking up the bank book with the stub of the check book. <sup>129</sup>The sum of the checks not yet paid, when deducted from the balance shown by the pass book, should equal the balance shown on the stub of the check book. <sup>130</sup>Checks should be numbered, as this will greatly simplify the checking up of the pass book when it is returned. <sup>131</sup>If any error has occurred on the part of the bank in keeping your account, it should be reported to them at once.

<sup>132</sup> Some banks require their depositors to enter the number and amount of all checks issued in the pass book before presenting it to be balanced. This enables the bank to prove the correctness of their account with the depositor. A check may be charged to the wrong account in the Individual Ledger, which would be thus discovered.

**133. Daily Statement Book.**—It is the custom with most banks to make up a statement of each day's business, for the purpose of proving the correctness of the work for that day. This statement should be entered in a book kept for that purpose, as illustrated on page 196. The work of keeping this book may be greatly shortened by having the names of the accounts, etc., printed, as shown in the illustration.

**134. Continued Trial Balance.**—A trial balance of the General Ledger should be taken daily by the general bookkeeper. Any of the many different forms of continued trial balance book may be used to advantage for this purpose.

## SPECIAL BOOKS KEPT BY THE CASHIER.

In addition to the books that have been described, the following are kept by the Cashier, in which are entered the *official records* of the bank and its dealings with the stockholders.

**135. The Minute Book** is a most important book in any corporation. In it are recorded the proceedings of the meetings of the stockholders, and also the proceedings of the meetings of the Board of Directors. <sup>136</sup>This record should be complete and accurate, as the officers must look to it for the necessary authority to conduct the affairs of their respective offices, and in case of litigation it is taken as *prima facie* evidence for the acts of the Board of Directors and officers. <sup>137</sup>The minutes of each meeting should be signed by the Secretary and also by the President.

**138. The Subscription Book**, or blank, contains the subscription of each original stockholder. Stock may be fully paid up, or it may be paid in installments at stated times, or at the call of the Board, conforming to the requirements of the National Banking Act.

**139. Stock Certificate Book.**—This is a book of printed certificates of stock, numbered consecutively, with stubs. These blanks are filled out and issued by the Cashier to the stockholders, and should be signed by the Cashier and President.

**140. The Transfer Book.**—In this book all transfers of stock from one stockholder to another are recorded, and from it the proper entries are made in the different stockholders' accounts in the Stock Ledger.

**141. Stock Ledger.**—In this book are kept the accounts with the different stockholders. Each stockholder is credited with the number of shares and the par value of the stock issued to him. He is debited with all stock at its par value, which he transfers to others. The sum of the balances shown by the accounts in the Stock Ledger should at all times equal the amount of the Capital Stock account in the General Ledger. See illustration, page 189.

**142. Dividend Book.**—This book is kept to show the Dividends declared and paid to each stockholder. A dividend is a certain percentage declared on the capital stock to be paid from the earnings of the bank. Any simple form of ruling may be used.

<sup>143</sup> In a National bank, a certain percentage of the net profits must be set apart as a Surplus Fund before any part of the profits can be applied to the payment of dividends, as provided for in the National Banking Act, which says that "ten per cent. of the net profits shall be carried to the Surplus Fund, until such Fund shall equal twenty per cent. of the capital stock of the bank." Any remainder in the Loss and Gain account, after the Surplus Fund and Dividend have been deducted, is transferred to an "Undivided Profits" account, thus closing the "Loss and Gain" account.

**144. Signature Book.**—In this book each depositor writes his signature, so that checks and other papers bearing his signature may be compared at any time by the bank officials.

Daily Statements of Receipts and Payments of *American National Bank.*

| <i>Monday, Sept. 1.</i>                     |         |  | RECEIPTS. | PAYMENTS. | <i>Saturday, Sept. 6.</i>                   |         |  | RECEIPTS. | PAYMENTS. |
|---------------------------------------------|---------|--|-----------|-----------|---------------------------------------------|---------|--|-----------|-----------|
| Deposits, I. L. p.                          |         |  | 98100 97  | 4607 26   | Deposits, I. L. p.                          |         |  | 128347 74 | 71498 64  |
| Bills Discounted, Tia. p.                   | Reg. p. |  |           | 36937 35  | Bills Discounted, Tia. p.                   | Reg. p. |  | 103 7     | 75064 86  |
| Discount (or Int.), Reg. p.                 |         |  | 313 58    |           | Discount (or Int.), Reg. p.                 |         |  | 93241     |           |
| Demand Loans, C. B. p.                      | Reg. p. |  |           |           | Demand Loans, C. B. p.                      | Reg. p. |  |           | 47500     |
| Collection and Exchange, Dft. R. p.         |         |  | 306       |           | Collection and Exchange, Dft. R. p.         |         |  | 140       |           |
| " " Teller p.                               |         |  |           |           | " " Teller p.                               |         |  | 8 37      |           |
| General Cash Book Items, p.                 |         |  | 390000    | 233994 75 | General Cash Book Items, p.                 |         |  |           | 57620     |
| " "                                         |         |  |           |           | " "                                         |         |  |           |           |
| Clearing House, Lists from                  |         |  |           |           | Clearing House, Lists from                  |         |  | 9602 75   |           |
| " " " to                                    |         |  |           |           | " " " to                                    |         |  |           | 34960 88  |
| <i>Manhattan Natl. Bank R. p.</i>           |         |  | 2451 68   | 11752 75  | <i>Manhattan Natl. Bank R. p.</i>           |         |  | 31937 80  | 11984 38  |
| <i>Penn Natl. Bank "</i>                    |         |  |           | 1150      | <i>Penn Natl. Bank "</i>                    |         |  | 20095 05  | 250230    |
| <i>Omaha Natl. Bank "</i>                   |         |  |           | 16121 41  | <i>Omaha Natl. Bank "</i>                   |         |  | 5559 73   | 67680     |
| <i>First Natl. Bank "</i>                   |         |  |           | 610044    | <i>First Natl. Bank "</i>                   |         |  | 4287 51   | 25870     |
| " Bank "                                    |         |  |           |           | " Bank "                                    |         |  |           |           |
| " Bank "                                    |         |  |           |           | " Bank "                                    |         |  |           |           |
| " Bank "                                    |         |  |           |           | " Bank "                                    |         |  |           |           |
| " Bank "                                    |         |  |           |           | " Bank "                                    |         |  |           |           |
| " Bank "                                    |         |  |           |           | " Bank "                                    |         |  |           |           |
| Total receipts and payments,                |         |  | 490869 29 | 329904 44 | Total receipts and payments,                |         |  | 201809 76 | 245019 76 |
| Excess of Cash receipts over payments (Cr.) |         |  |           | 160965 25 | Excess of Cash receipts over payments (Cr.) |         |  | 43210     |           |
| " " payments over receipts (Dr.)            |         |  |           |           | " " payments over receipts (Dr.)            |         |  |           |           |
| Foot                                        |         |  | 490869 29 | 490869 29 | Foot                                        |         |  | 245019 76 | 245019 76 |

## ANALYSIS OF DAILY STATEMENTS.

A careful study of the following analysis is positively necessary to the understanding of the Daily Statement. Unless this statement is clearly understood, the learner cannot expect to attain to a clear understanding of bank bookkeeping.

It must be remembered that cash is either debited or credited in every transaction affecting the different accounts in banking.

**145. Deposits.**—1. The footing of this column in the Individual Ledger shows the amount of cash received for the day from depositors, which has already been placed to the credit of the parties making the deposits. It is, therefore, a *debit* to "Cash" and a *credit* to "Deposits" account in the General Ledger, and is always transferred to the "Receipts" column in the Daily Statement. The "Deposits" account in the General Ledger shows in totals the receipts and payments for depositors.

2. The footing of the "Total Checks" column in the Individual Ledger, shows the amount of cash which has been paid out for account of depositors. It is, therefore, a *credit* to "Cash" and a *debit* to "Deposits" and is always transferred to the "Payments" column in the Daily Statement. The amount as shown by the sum of the balances in the "Balance" column, shows the amount the bank owes its depositors. The balance shown by the "Deposits" account in the General Ledger must always agree with the footing of the "Balance" column in the Individual Ledger.

Trace amounts transferred from the Individual Ledger, page 186, to Daily Statement, page 196.

**146. Bills Discounted.**—This account corresponds exactly with Bills or Notes Receivable account in other lines of business. The amounts to be transferred to the Daily Statement are always found in the Discount Tickler or Discount Register. The footing of the column in the Discount Register showing the face of the paper gives the amount of notes we have purchased for the day, and is therefore a *credit* to "Cash" and a *debit* to "Bills Discounted" and is always transferred to the "Payments" column in the Daily Statement.

The footing in the Discount Tickler for the day shows the amount of discounted paper which has been redeemed, or for which payment has been received. It is, therefore, a *debit* to "Cash" and a *credit* to "Bills Discounted" and is transferred to the "Receipts" column in the Daily Statement.

When the cash received in payment of paper discounted is entered in the Cash-, or any book other than the Tickler, the amount must be transferred from that book to the Daily Statement.

Trace transfers of footings from the Discount Register and Tickler, page 191-2, to Daily Statement, page 196.

**147. Discount (or Interest).**—The footing of this column in the Discount Register shows the amount of cash received for the use of money given on paper discounted. It is, therefore, a *debit* to "Cash" and

*Certified Check Book*

| Date    | Paid | Drawer                | In favor of             | Items | Totals |
|---------|------|-----------------------|-------------------------|-------|--------|
| Sept. 6 | ✓    | Beck Boggs & Co.      | Fourth Natl.            | 1 600 |        |
|         | ✓    | J. A. Ambsbaugh & Co. | Single Arthur D. Foyt   | 760   |        |
|         | ✓    | Merchants Supply Co.  | Merchants Bk. Baltimore | 425   | 2 785  |

a *credit* to "Discount" and is always transferred to "Receipts" column of the Daily Statement from the Discount Register.

Trace transfer from Discount Register to Daily Statement.

**148. Demand Loans.**—This account is exactly similar to the "Bills Discounted" account. The amount of demand paper received is transferred daily from the Discount or Demand Loan Register to the "Payments" column of the Daily Statement. As the paper is payable on demand, no Tickler is kept; consequently, all receipts for account of Demand Loans are transferred directly from the General Cash-book to the "Receipts" column in the Daily Statement.

**149. Collection and Exchange.**—All such charges to customers and others are a *debit* to "Cash" and a *credit* to this account, and are transferred to the "Receipts" column in the Daily Statement, except when paid by our bank to other banks, when it is a *credit* to "Cash" and a *debit* to "Collection and Exchange," and is entered in the "Payments" column.

Items for this account may be entered in special columns in any book where such columns may be found convenient. However, in the arrangement of books shown herewith, these items are entered either in the Draft Register or in the Teller's Book. No matter in what book they are entered, they must be transferred to the Daily Statement, as indicated above.

Trace transfer of totals from Draft Register, page 193, to Daily Statement, page 196.

**150. General Cash Items** are those which do not properly belong to any of the special books, and are not included under any other heading in the Daily Statement. They are usually entered in the Daily Statement in totals from the General Cash-book and on the same side. They include all items charged or credited to other banks with whom no account is kept in the Remittance Register.

Trace transfers from General Cash-book, pages 188-9, to Daily Statement, page 196.

**151. Clearing House.**—All checks on hand payable at other banks in the city are held at the end of the day's business as cash, that is, *cash has already been debited for them in accounts which have been credited*. To equalize the receipts and payments for the day, their amount, taken from the "Lists From" column of the Exchange Lists Statement, is entered in the "Payments" column of the Daily Statement, opposite "Lists To" Clearing House. Technically, the Clearing House is debited, but inasmuch as, according to Clearing House rules and regulations, differences are paid daily in cash, no account is kept on the general books with the Clearing House, that account being shown on the Clearing House Lists Statements for each day.

All checks received from the Clearing House each day are charged to their proper accounts, which credits cash for that amount. To equalize the receipts and payments for the day, their amount, taken from the "Lists To" column of the Exchange Lists Statement, is entered in the "Receipts" column of the Daily Statement, opposite "Lists From" Clearing House.

In making up the Daily Statement, however, it must be remembered that the footing of the "Lists To" column of the Exchange Lists Statement is entered in the Daily Statement on the day following that on which is entered the footing of the "Lists From" column of the same statement.

**152. Remittance Register.**—This book contains the accounts with all regular correspondents. Each bank is charged for all payments made to it, and credited for all receipts. Therefore, all items appearing on the *debit* side of any bank's account is a *credit* to "Cash," and the total must be entered in the "Payments" column in the Daily Statement; and all credits to banks in the Remittance Register are a *debit* to "Cash," and the totals must be entered in the "Receipts" column of the Daily Statement.

Trace transfers made from Remittance and Draft Registers, pages 192-3, to Daily Statement, page 196.

**153. Excess of Cash Receipts or Payments.**—Any excess of cash receipts over payments, as shown by the Teller's Book for September 1, has caused a corresponding increase in the total receipts, as shown in the Daily Statement for September 1. In order to equalize and prove the statement, it is, therefore, necessary to place the excess of cash received on the *credit* side of the Daily Statement, as illustrated in the Statement for September 1.

In like manner, an excess of cash payments over receipts, as shown by the Teller's Book for September 6, has caused a corresponding deficiency on the debit side of the Daily Statement, and the amount of such excess in payments is therefore placed on the *debit* side of the Daily Statement, as shown on the Statement for September 6.

Trace above transfers to the Daily Statements.

**154.** After the Daily Statement has been proven each day, the totals from the different books of entry which have not yet been entered in the General Cash-book are transferred to that book, as indicated on the Daily Statement. The items shown in the Cash-book, must, therefore, agree with those shown on the Daily Statement.

Trace items from Daily Statement, page 196, to the General Cash-book, pages 188-9.

**155.** The difference between the two sides of the General Cash-book shows the balance of cash on hand. If correct, this balance must equal the cash on hand, as shown by the Teller's Book, plus Clearing House checks on hand, as shown by the Clearing House Statement. See illustration of General Cash-book, page 189.

Trace items from Clearing House Statement and Teller's Book, page 194.

**156.** The above suggestions are offered for the careful consideration of the student, in connection with his own analysis of the different statements as shown above. Careful comparison and observation will soon develop a clear understanding of the functions of the different accounts and the equilibrium of debits and credits in connection with each day's business, as shown by the Daily Statement, as well as the final results shown by the General Cash-book and General Ledger.

CLEARING HOUSE.

EXCHANGE LISTS STATEMENT.

Lists from American National Bank *Sept 26*

| BANKS.                                                           | LISTS FROM | LISTS TO | DR. | CR. |
|------------------------------------------------------------------|------------|----------|-----|-----|
| 1. American,                                                     | 300        |          |     |     |
| 2. American Exchange,                                            | 118259     |          |     |     |
| 3. Continental National,                                         |            |          |     |     |
| 4. Central National,                                             |            | 712      |     |     |
| 5. Citizens National,                                            |            |          |     |     |
| 6. Citizens,                                                     |            |          |     |     |
| 7. City National,                                                |            |          |     |     |
| 8. Drovers National,                                             |            |          |     |     |
| 9. Exchange, Merchants Loan & Trust Co.                          |            |          |     |     |
| 10. Fifth National,                                              |            |          |     |     |
| 11. First National,                                              |            |          |     |     |
| 12. German National, { Garrett Co. Bank,<br>Gallbach Bros.,      |            |          |     |     |
| 13. German Insurance,                                            |            |          |     |     |
| 14. German American, { Stein Bros.,<br>Germania,                 | 4256       |          |     |     |
| 15. Manufacturers & Traders,                                     |            |          |     |     |
| 16. Merchants National, { Merchants Banking & Store<br>age Co.,  |            |          |     |     |
| 17. Metropolitan National, { London, Paris & Ameri-<br>can Bank, |            |          |     |     |
| 18. Mercantile National,                                         |            |          |     |     |
| 19. National Exchange,                                           |            | 194591   |     |     |
| 20. National Bank of North America,                              |            |          |     |     |
| 21. National City,                                               |            |          |     |     |
| 22. National Bank of the Republic,                               | 125        |          |     |     |
| 23. National Bank of Commerce,                                   |            |          |     |     |
| 24. Park National,                                               |            |          |     |     |
| 25. Peoples National,                                            | 200        |          |     |     |
| 26. Seventh National,                                            |            |          |     |     |
| 27. Third National,                                              |            |          |     |     |
| 28. Traders National,                                            |            | 500      |     |     |
| 29. Union National,                                              |            |          |     |     |
| 30. Western National,                                            | 1735       |          |     |     |
| 31. American National,                                           | 186750     | 345591   |     |     |
|                                                                  | 158241     |          |     |     |
|                                                                  | 118259     | 1840891  |     |     |

and easily understood. They generally consist of an Exchange Slip, a Check Ticket, a Credit Ticket, an Exchange Lists Statement, and a Balance Ticket, the last named being issued by the manager of the Clearing House.

160. The sessions of the Clearing House are held daily at a stated hour, generally 10 o'clock in the morning. The different banks list all paper for the Clearing house on the evening of the day prior to the one on which they are presented at the Clearing House, although it is customary to make such additional entries for any paper that may come in in the morning's mail as may be necessary. Each bank which is a member of the Clearing House is assigned a number and has its separate Exchange Slip with its number printed in bold type. See illustration.

161. The checks drawn on each of the other banks in the Clearing House are sorted, and entered on the proper Exchange Slips. These Slips are then footed, and the totals entered on a Clearing House Statement in the "Lists From" column, on the same line with the corresponding number and bank. When this has been done, a Check Ticket (see illustration) for each bank is filled out with the total amount shown by the Exchange Slip for that bank, and is pinned to the Exchange Slip and package of checks.

CHECK TICKET.

NO. 3.  
CONTINENTAL NATIONAL BANK  
FROM  
AMERICAN NATIONAL BANK, No. 31.  
1182 Dollars, 59 Cents.

THE CLEARING HOUSE SYSTEM.

157. A Clearing House is an association of the banks of a city, organized for the purpose of facilitating the payment of such checks and other cash items as are received by the different banks, and which are drawn on, and payable at, other banks in the same city.

158. The organization of a Clearing House consists of a simple agreement between the banks, to meet, through their representatives, at a certain time and place, to exchange checks and other bank vouchers and to pay the differences in cash. The main object is to avoid the necessary time and risk required by the old plan of each bank sending its runner to all the other different banks in the city to make these collections.

159. The blank forms used by the different banks in connection with the Clearing House vary in number and form in different cities, but are uniformly simple

| EXCHANGE SLIP             |   |     |    |
|---------------------------|---|-----|----|
| NO. 3.                    |   |     |    |
| CONTINENTAL NATIONAL      |   |     |    |
| From No. 31.              |   |     |    |
| - AMERICAN NATIONAL BANK. |   |     |    |
|                           |   | 84  | 20 |
|                           |   | 300 | 00 |
|                           |   | 78  | 00 |
|                           |   | 4   | 22 |
|                           |   | 716 | 24 |
|                           |   | 13  | 21 |
|                           | 1 | 144 | 87 |
|                           |   | *23 | 12 |
|                           |   | *14 | 60 |
|                           | 1 | 182 | 59 |

\* These items came in the morning's mail and were added.

The "Lists From" column of the Exchange Lists Statement is then footed, and a Credit Ticket (see illustration) is filled out with the total footing of the column. The checks and statement are now ready for presentment at the Clearing House.

**162.** It is now customary for each bank to send two clerks to the Clearing House, known as a messenger and a settling clerk. As each messenger enters the Clearing House, he delivers his Credit Ticket at the manager's desk. The

settling clerk takes his place on the inside of a long counter in his proper place as designated by the number of his bank, with his messenger on the opposite side of the counter. Promptly at 10 o'clock the line of messengers passes to the right, each with the package of checks with Exchange

CREDIT TICKET.

**NO. 31.****CHICAGO CLEARING HOUSE.***Sept. 26,***CREDIT****AMERICAN NATIONAL BANK      \$1,867.50****A. WALKER, *Settling Clerk.***

BALANCE TICKET.

**NO. 31.****CHICAGO CLEARING HOUSE.**

Dr. American National Bank, - - - - \$3,455.91

Cr. American National Bank, - - - - 1,867.50

Balance \$1,588.41, due Clearing House.

Balance due American National Bank, - - - - \$

**J. B. WATSON, *Manager.***

Slip attached, which he delivers to the different settling clerks as he comes to them. The work of the settling clerk, as he receives each package, is to enter the amount shown by the Exchange Slip in the "Lists To" column of his Exchange

Lists Statement. When the messengers have passed entirely around, each settling clerk foots the "Lists To" column, and then finds the balance due to, or owed by, his bank. While these exchanges are being made, the manager has been preparing the general Clearing House Statement, from the totals on the Credit Tickets presented by each messenger on entering the Clearing House. Each settling clerk now calls off the footings of the "Lists To" column on his statement, which the manager enters on his statement opposite the credits for each bank. He then strikes a balance, and issues to each settling clerk a Balance Ticket (see illustration) showing the balance due to, or owed by, each bank, which must agree with the balance shown on Exchange Lists Statement. The settling clerk and messenger now return to their bank, and if their statement for the day shows a balance due to the Clearing House, they at once send that amount in cash to the manager, who makes up the amounts due creditor banks in different packages, ready to be handed to the messengers at 1.30 P. M., which closes the transactions of the Clearing House for the day.

**163.** It is customary in some Clearing Houses to issue Clearing House Certificates in payment of balances. These Certificates are passed between the banks as currency.

**164.** Thus it will be seen that the Clearing House may handle thousands of dollars daily in settling the exchanges between the banks, but that each evening it has no cash on hand, as it pays out to creditor banks just the amount received from debtor banks.

**165.** The Clearing House system is one of the remarkable features of our banking system. It not only fully meets the requirements for which it was originated, but acts as a safeguard against financial panics and loose business methods. It is a positive check on the speculative tendencies of financiers, and has prevented many a financial crisis.



**MAKING THE EXCHANGE  
AT THE  
CLEARING HOUSE.**

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